

STATE OF CALIFORNIA

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

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For the Year Ended
June 30, 2000



*Prepared by the Office of the
State Controller*

KATHLEEN CONNELL
State Controller

Photographs by Robert Holmes/CalTour, Tom Myers, Long Beach Area Convention & Visitors Bureau, and University of California Los Angeles
(with the exception of the photograph of Kathleen Connell).

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Introductory Section



KATHLEEN CONNELL

Controller of the State of California



KATHLEEN CONNELL
Controller of the State of California

December 15, 2000

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit the State of California's *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2000. This report contains all the information needed to fully assess California's fiscal condition.

This CAFR is prepared in accordance with generally accepted accounting standards (GAAP). It is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal. The letter presents a summary of financial data that is useful in evaluating the fiscal condition of the State. The Financial Section includes the general purpose financial statements and notes to the financial statements. The Financial Section also includes the combining fund and account group financial statements and schedules, which are presented for the purpose of additional analysis. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

Responsibility for the accuracy of data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that fairly presents the financial position and operation of the various funds, account groups, and component units of the State.

Economic Outlook

With the slowing of the United States economy, there is some concern over the outlook for California in 2001. The strength of the economy is weakening, though most business sectors are still growing, and at relatively healthy rates. Certainly, home buying has now slowed and prices for real estate are not soaring as they were earlier in the year. New business formation in the state has also slowed, due largely to consolidations in the United States equities markets this year, leaving a reduced capital base for expansion. Furthermore, as a result of the difficulty in permitting new housing in the coastal areas of the state, new residential building has stalled.

Labor markets remain very tight and the unemployment rate is at a record low. Non-farm employment growth will rise 3.2% in 2000, signaling a very healthy year for job creation. Consumer confidence in the Pacific region, which includes California, is still quite auspicious, supporting strong growth of consumption in the state. Taxable sales

of goods to consumers and businesses leaped 11% in the first 9 months of 2000, the highest growth rate for consumption in California since 1984.

The solid growth of the California economy is dominated by the unprecedented rise in income. Strong employment growth, higher salaries, and sharply rising asset values have produced 8.6% annual growth in personal income this year. The growth rate in income is also the highest recorded in the state in 16 years.

The continued expansion of the California economy is being led by a number of sectors, including biotechnology, information processing, recreation, tourism, and construction. Job growth is still impressive, despite a recent surge in dot-com layoffs. To date, the slowdown of technology sector growth has not impacted the state's unemployment rate.

Private sector investment in new technology continues to provide California firms with significant capital for innovation and expansion. In 1999, the Bay Area received 34% of all venture capital investment in United States companies. The \$13.4 billion received by Bay Area firms ranked No. 1 for a metropolitan area in the nation. Southern California ranked 5th in the country, behind the New York metro area, with \$3.3 billion or 9.3% of total venture capital investment in all United States companies. In calendar year 2000, venture capital investment in California companies was even greater, shattering all previous records.

Exports have been key to California's economic growth in 2000. Our trading partners in the Pacific Rim have steadily recovered from the financial crisis that dragged down the region in 1998 and 1999, and the Mexican economy is booming. This produces greater demand for California goods and services. Exports to the top 10 Asian nations leaped 26% in the first half of 2000. Exports to Mexico—our largest market—soared 35% this year.

New residential units authorized by building permits in California rose to an annual rate of 147,000 for the first 10 months of 2000, a 5% increase over last year's level. Although the increase in new home construction is encouraging, the number of new homes in the state is far from adequate because it seriously lags the growth of population and jobs. Housing is generally in short supply across the state and, accordingly, expensive, particularly in the large metropolitan areas of Northern and Southern California.

The median selling price of homes in California soared 12% in 2000 to \$243,000, the highest value on record. Among the larger California counties, Santa Clara County posted the highest median selling value in 2000, at \$528,850. With a median home price of \$485,980, San Francisco County was not far behind. In Southern California, the median selling price in Los Angeles County during 2000 was a relatively affordable \$210,600. In Orange County, the median price was \$316,300.

Nearly 420,000 jobs will be created in California this year, principally in the business services, education, and construction sectors. More residents of California are currently employed than at any other time in the history of the state. The unemployment rate fell to 4.5% in October of 2000, the lowest rate since 1969.

With the major metropolitan areas reporting very tight vacancy in 2000, office and industrial space has become scarce in the state. The continued demand for non-residential structures is driving the surge in new commercial building this year. At the current pace of investment in commercial structures, new non-residential development will increase 22% in 2000.

Personal income tax receipts, the largest single source of revenue to the California General Fund, soared 28% for the year ending June 30, 2000. Overall, General Fund revenues advanced 21% for fiscal year 2000.

With lower interest rates now prevailing as calendar 2000 draws to a close, the outlook for home sales in 2001 is mixed. Rates are likely to fall before they rise again, barring any expected trauma in the United States economy next year. However, job creation is expected to moderate, causing personal income growth to cool. Together with the lack of available inventory and continued population growth, home selling prices are not expected to retreat in 2001.

Though the economy will continue to slow in 2001, a recession is not probable. There is still considerable strength in most business sectors of the economy. More importantly, the technology economy continues to draw venture capital investment and create high paying jobs, and our export markets will keep the state growing at a pace that will continue to eclipse United States economic growth.

Major Initiatives for the Year

Following a severe recession beginning in 1990, the State's financial condition improved markedly during the fiscal years starting in 1995-96, due to a combination of better than expected revenues, slowdown in growth of social welfare programs, and continued spending restraint based on actions taken in earlier years. The additional funds were largely directed to school spending as mandated by Proposition 98, to make up shortfalls from reduced federal health and welfare aid in the years ending June 30, 1996 and 1997, and to fund new program initiatives, including education spending above Proposition 98 minimums. In 1999 and early 2000, the combination of resurging exports, a strong stock market, and a rapidly growing economy resulted in unprecedented growth in General Fund revenues during the year ended June 30, 2000. As a result, a record Unreserved Undesignated GAAP balance of approximately \$6.3 billion was left in the General Fund at June 30, 2000.

Year ended June 30, 2000

Some of the major features of the 1999-00 Budget were the following:

- Proposition 98 funding for Kindergarten through twelfth grade (K-12) schools was increased by \$1.6 billion in General Fund moneys over revised 1998-99 levels, \$108.6 million higher than the minimum Proposition 98 guarantee. Of the 1999-00 funds, major new programs included money for reading improvement, new textbooks, school safety, improving teacher quality, funding teacher bonuses, providing greater accountability for school performance, increasing preschool and after school care programs and funding deferred maintenance of school facilities.
- Funding for higher education increased substantially above the actual 1998-99 level. General Fund support was increased by \$184 million (7.3%) for the University of California and \$126 million (5.9%) for the California State University system. In addition, Community Colleges funding increased by \$324 million (6.6%). As a result, undergraduate fees at UC and CSU were reduced for the second consecutive year, and the per-unit charge at Community Colleges was reduced by \$1.
- Funding for health and human services increased by nearly \$600 million.
- About \$800 million from the General Fund was directed toward infrastructure costs, including \$425 million in additional funding for the Infrastructure Bank, initial planning costs for a new

prison in the Central Valley, additional equipment for train and ferry service, and payment of deferred maintenance for state parks.

- The Legislature enacted a one-year additional reduction of 10% of the Vehicle License Fee (VLF) for calendar year 2000, at a General Fund cost of about \$250 million in each of fiscal years 1999-00 and 2000-01 to make up lost funding to local governments.

Year ending June 30, 2001

Some of the major features of the 2000-01 Budget Act were the following:

- Proposition 98 funding for K-12 schools was increased by \$3.0 billion in General Fund moneys over revised 1999-00 levels, \$1.4 billion higher than the minimum Proposition 98 guarantee. Per pupil spending is estimated at \$6,701 per ADA, an 11% increase from the 1999 Budget Act. Of the 2000-01 funds, over \$1.8 billion is allowed for discretionary spending by school districts. Major new programs include money for high school scholarships to high-achieving students, English language and literacy, improving teacher quality, funding teacher bonuses and salaries for beginning teachers, increasing investments in technology and funding professional development institutes. The 2000-01 Budget Act also includes an income tax credit to compensate credentialed teachers for the purchase of classroom supplies.
- Funding for higher education increased substantially above the revised 1999-00 level. General Fund support was increased by \$486 million (17.9%) for the University of California and \$279 million (12.7%) for the California State University system. In addition, Community Colleges funding increased by \$497 million (9.0%). Undergraduate fees at UC and CSU and the per-unit charges at Community Colleges will be unchanged. The Budget Act anticipates enrollment increases in all sectors, and an expansion of financial aid.
- Funding from the General Fund for health and human services increased by \$2.7 billion.
- Significant monies were devoted for capital outlay. A total of \$2.0 billion of General Fund money was appropriated for transportation improvements, supplementing gasoline tax revenues normally used for that purpose. This was part of a \$6.9 billion Transportation Congestion Relief Program to be implemented over six years. In addition, the Budget Act included \$570 million from the General Fund in new funding for housing programs.
- A total of about \$1.5 billion of tax relief was enacted as part of the budget process. The VLF reduction, started in 1998, was accelerated to the final 67.5% level for calendar year 2001, two years ahead of schedule. The acceleration will cost the General Fund about \$887 million in fiscal year 2000-01 and \$1.4 billion in fiscal year 2001-02. A personal income tax credit for teachers will cost \$218 million and a refundable credit for child care expenses will cost \$195 million. Several other tax changes were also approved, at a cost of \$243 million in fiscal year 2000-01.

Financial Information

Reporting Entity: The financial reporting entity of the State includes all the funds and account groups of the primary government as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the building authorities are reported within the capital projects funds of the primary government. The lease agreements,

amounting to \$836 million between the building authorities and the primary government, have been eliminated from the combined balance sheet. Instead, only the underlying fixed assets and the debt used to acquire them are reported in the appropriate account groups. Discretely presented component units are reported in separate columns in the combining financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The University of California and special purpose authorities are reported as discretely presented component units.

Budgetary Controls: Annually, the State Legislature prepares a budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and State Legislature. Throughout the fiscal year, adjustments in the form of budget revisions, executive orders, and financial legislation agreed to by the parties are made to the budget. The Controller is statutorily responsible for maintaining control over revenues due the primary government and the expenditure of each appropriation contained in the budget. Budgeted appropriations are the expenditure authorizations that allow state agencies to purchase or create liabilities for goods and services.

The accounting system provides the Controller's Office with a centralized control record system to fully account for each budgeted appropriation, including its unexpended balance, and for all cash receipts and disbursements. The accounting system is decentralized in that the detail of each control account is maintained at the agency level. During the fiscal year, the control accounts and agency accounts are maintained and reconciled on a cash basis. At the end of the fiscal year, each agency prepares annual accrual reports for receivables and payables. The Controller's Office combines its control accounts with the agency accrual reports to prepare the *Budgetary/Legal Basis Annual Report* and the *Budgetary/Legal Basis Annual Report Supplement*. The methods of accounting for expenditures and revenues in these reports are governed by state laws and regulations that, in some cases, are not in full agreement with generally accepted accounting principles. The information in the *Comprehensive Annual Financial Report* presents a consolidation of the amounts in the *Budgetary/Legal Basis Annual Report* and adjustments to the account balances to conform to generally accepted accounting principles.

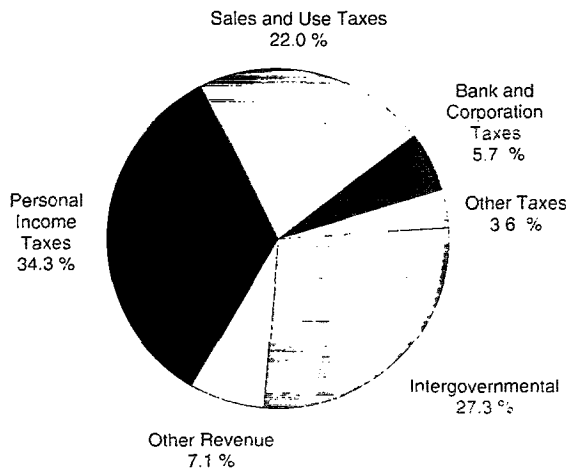
Internal Controls: An internal control structure has been designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. In addition, the government maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature.

General Government Functions: The government provides a full range of services including education, health and social services, transportation, law, justice, public safety, recreation, resource development, and public improvements. These general government functions are accounted for in the General Fund, special revenue funds, and capital projects funds.

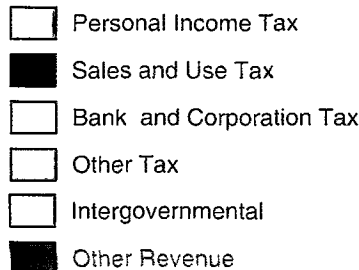
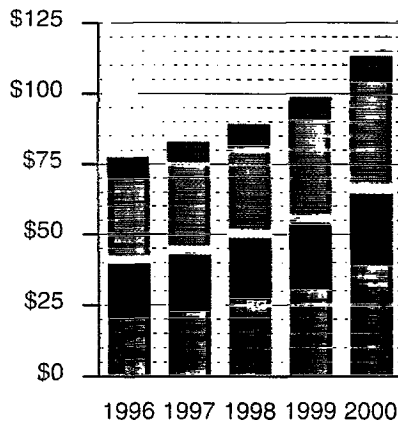
1999-00 Revenues: Table 1 presents a summary of General Fund, special revenue funds, and capital projects funds revenues for the year ended June 30, 2000. Revenues for the General Fund, special revenue funds, and capital projects funds totaled \$115.4 billion for the year ended June 30, 2000. This

Chart 1

REVENUES 1999-00
General, Special Revenue, and
Capital Projects Funds

**Chart 2**

REVENUES by SOURCE
General, Special Revenue, and
Capital Projects Funds
(Amounts in billions)



was an increase of \$15.5 billion, or 15.5%, over the previous year. Tax revenues increased \$12.5 billion, or 19.9%, over the previous year. Personal income, sales and use, bank and corporation, and other taxes increased \$8.7 billion, \$2.5 billion, 1.1 billion, and \$207 million, or 28.0%, 11.0%, 21.2%, and 5.3%, respectively. Intergovernmental revenue increased \$1.9 billion, or 6.3%.

Five-Year Trend: Total revenues for the General Fund, special revenue funds, and capital projects funds have increased from \$79.9 billion in 1996 to \$115.4 billion in 2000, an increase of \$35.5 billion, or 44.4%. This increasing revenue trend is the result of a rebounding California economy that is generating increased collections of taxes. Personal income taxes have increased from \$20.8 billion in 1996 to \$39.5 billion in 2000, an increase of \$18.7 billion, or 89.7%. Sales and use taxes have increased from \$19.3 billion in 1996 to \$25.4 billion in 2000, an increase of \$6.1 billion, or 31.7%. Total revenues for the five-year period increased \$5.7 billion, \$5.0 billion, \$6.4 billion, \$8.5 billion, and \$15.5 billion in the years ending June 30, 1996, 1997, 1998, 1999, and 2000, respectively.

1999-00 Expenditures: Table 2 presents a summary of General Fund, special revenue funds, and capital projects funds expenditures for the year ended June 30, 2000.

Table 1

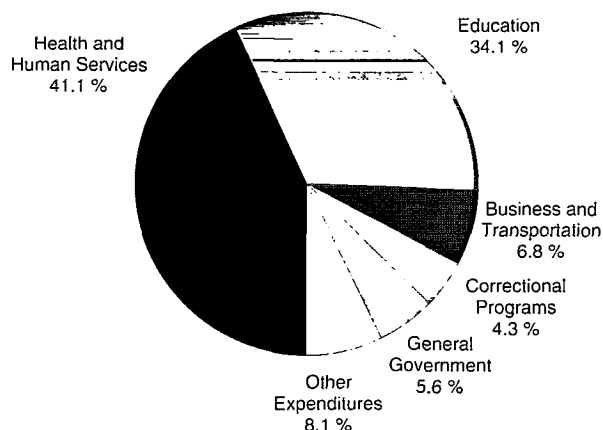
Schedule of General Fund, Special Revenue Funds, and Capital Projects Funds Revenues

Year Ended June 30, 2000 (Amounts in thousands)

Sources	1999-00 Amount	Percent of Total	Increase (Decrease) from 1998-99	Percent of Increase (Decrease)
Taxes				
Personal income	\$ 39,516,018	34.3 %	\$ 8,653,146	28.0 %
Sales and use	25,398,317	22.0	2,520,001	11.0
Bank and corporation	6,569,805	5.7	1,148,063	21.2
Other taxes	4,106,882	3.6	207,080	5.3
Intergovernmental	31,543,220	27.3	1,875,238	6.3
Other revenue				
Licenses and permits	3,245,851	2.8	(89,012)	(2.7)
Fees and penalties	1,998,676	1.7	141,578	7.6
Charges for services	848,352	0.7	36,016	4.4
Investment and interest	938,897	0.8	216,159	35.5
Other minor	1,110,061	1.0	702,972	172.7
Natural resources	91,662	0.1	75,712	474.7
Total	\$ 115,367,741	100.0 %	\$ 15,516,953	15.5

Chart 3

EXPENDITURES 1999-00
General, Special Revenue, and
Capital Projects Funds

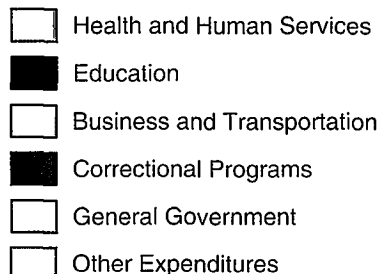
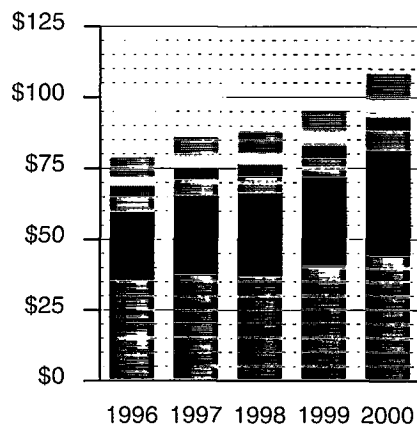


Expenditures for the General Fund, special revenue funds, and capital projects funds totaled \$108.2 billion for the year ended June 30, 2000. This was an increase of \$12.7 billion, or 13.3%, over the previous year. Changes in expenditures by function from the previous year's levels are presented in Table 2. Health and human services expenditures increased \$3.5 billion or 8.5%. This increase relates to changes in the Medi-Cal, public health services, supplemental security income and state supplementary payments (SSI/SSP), child welfare services, and county administration. Education expenditures increased by \$5.9 billion or 18.9%. Approximately \$3.0 billion of this increase is due to more funding for K-12 and community colleges. The balance of the increase is mainly due to changes in school facilities aid, teachers' retirement contributions, and higher education. Property tax relief increased by \$1.6 billion or 263%. This increase is mainly due to replacement payments to local governments for the decrease in VLF.

Five-Year Trend: Total expenditures for the General Fund, special revenue funds, and capital projects funds have increased from \$78.8 billion in 1996 to \$108.2 billion in 2000, an increase of \$29.4 billion, or 37.3%. During this period, expenditures have increased 24.2% for health and human services, 53.8% for education, 30.4% for business

Chart 4

EXPENDITURES by FUNCTION
General, Special Revenue, and
Capital Projects Funds
 (Amounts in billions)

**Table 2**

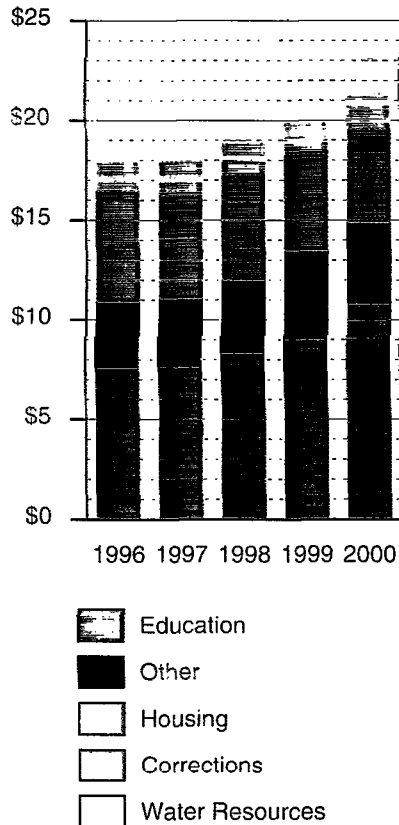
Schedule of General Fund, Special Revenue Funds, and Capital Projects Funds Expenditures

Year Ended June 30, 2000 (Amounts in thousands)

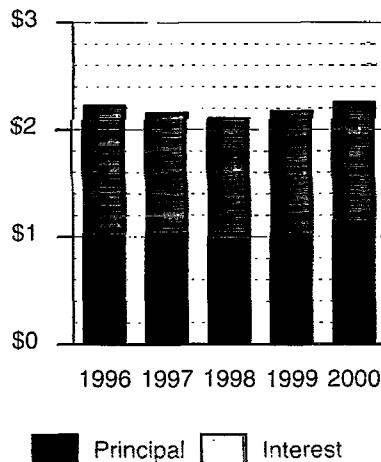
Function	1999-00 Amount	Percent of Total	Increase (Decrease) from 1998-99	Percent of Increase (Decrease)
Health and human services..	\$ 44,702,748	41.1 %	\$ 3,504,906	8.5 %
Education	36,905,181	34.1	5,857,159	18.9
Business and transportation	7,320,420	6.8	567,661	8.4
Correctional programs	4,601,199	4.3	219,070	5.0
General government	6,011,645	5.6	754,957	14.4
Other expenditures				
Debt service	2,248,224	2.1	78,078	3.6
Resources	2,678,453	2.5	326,657	13.9
State and consumer services	850,322	0.8	53,195	6.7
Tax relief	2,173,459	2.0	1,574,455	262.8
Capital outlay	709,698	0.7	(230,051)	(24.5)
Total	\$ 108,201,349	100.0 %	\$ 12,706,087	13.3

Chart 5

**GENERAL
OBLIGATION BONDS
by FUNCTION**
(Amounts in billions)

**Chart 6**

**DEBT SERVICE
EXPENDITURES**
(Amounts in billions)



and transportation, and 24.4% for corrections. In the aggregate, expenditures for the five-year period increased \$4.6 billion, \$7.2 billion, \$1.7 billion, \$7.8 billion, and \$12.7 billion in the years ending June 30, 1996, 1997, 1998, 1999, and 2000, respectively.

Debt Administration: In August 1999, Standard and Poor's Rating Group raised its bond rating for California from "A+" to "AA-." In February 2000, Fitch Investors Services raised its rating from "AA-" to "AA."

General Obligation Bonds: General obligation bonded debt, which is backed by the full faith and credit of the General Fund, increased from \$19.9 billion on June 30, 1999, to \$21.4 billion on June 30, 2000. This change reflected an increase of \$1.5 billion, or 7.5%.

Five-Year Trend: Total outstanding general obligation bonds increased from \$18.2 billion in 1996 to \$21.4 billion in 2000, an increase of \$3.2 billion, or 17.6%. During this period, education bonded debt increased from \$7.6 billion in 1996 to \$10.9 billion in 2000, an increase of \$3.3 billion, or 43.4%. Also during this period, bonded debt for water resources, corrections, and housing decreased from \$7.3 billion in 1996 to \$6.4 billion in 2000, a decrease of \$900 million, or 12.3%. In aggregate, general obligation bonds for the five-year period increased (decreased) \$(871) million, \$(252) million, \$957 million, \$972 million, and \$1.5 billion in the years ending June 30, 1996, 1997, 1998, 1999, and 2000, respectively.

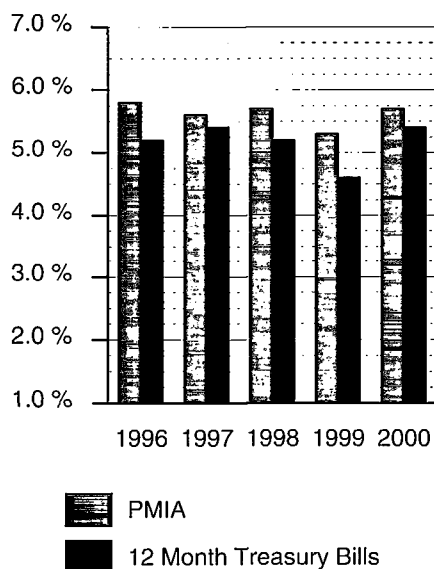
Debt Service: Principal retirement expenditures for the General Fund, special revenue funds, and capital projects funds totaled \$1.1 billion for the year ended June 30, 2000. This change reflected an increase of \$75 million, or 7.2%, over the previous year. Interest and fiscal charges for these funds totaled \$1.1 billion for the year ended June 30, 2000. This was an increase of \$2 million, or 0.2%.

Five-Year Trend: General Fund, special revenue funds, and capital projects funds principal retirement expenditures increased from \$1.0 billion in 1996 to approximately \$1.1 billion in 2000, an increase of \$81 million, or 9.6%. Interest and fiscal charges decreased from \$1.2 billion in 1996 to approximately \$1.1 billion in 2000, a decrease of \$52 million, or 8.5%.

Cash Management Policies and Practices: Cash temporarily idle during the year was invested in the Pooled

Chart 7

**PMIA YIELD and AVERAGE
TREASURY YIELD**
Year Ended June 30



Money Investment Account (PMIA). The investment of the PMIA is restricted by law to the following categories: U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, bank notes, interest-bearing time deposits in California banks and savings and loan associations, prime commercial paper, repurchase and reverse repurchase agreements, security loans, bankers' acceptances, negotiable certificates of deposit, and loans to various bond funds. The average daily investment balance for the year ended June 30, 2000, amounted to \$35.0 billion, with an average effective yield of 5.71%. For the year ended June 30, 1999, the average daily investment was \$33.5 billion and the average effective yield was 5.34%.

Five-Year Trend: The PMIA yield decreased from 5.8% in 1996 to 5.7% in 2000. During this same time, the average yield on 12-month Treasury bills increased from 5.2% to 5.4%. The average daily investment portfolio has also increased, from \$26.8 billion in 1996 to \$33.5 billion in 2000, an increase of \$6.7 billion, or 25.0%.

The total earnings of the PMIA for the year ended June 30, 2000, amounted to \$2.0 billion. Of this amount, \$473 million was distributed to the General Fund, \$788 million to special funds, \$734 million to local governments, \$2.4 million to the Public Employees' Retirement System, and \$1.9 million to the State Teachers' Retirement System. The Pooled Money Investment Account Portfolio is shown in Table 3.

General Fund Balance: The General Fund ended the year with a budgetary fund balance of \$9.6 billion and a fund

Table 3**Pooled Money Investment Account Portfolio**

Year Ended June 30, 2000 (Amounts in thousands)

Type of Security	Average Daily Portfolio	Percent of Portfolio	Annual Earnings	Average Effective Yield
Money market	\$ 15,857,843	45.3 %	\$ 931,404	5.9 %
Government securities	12,484,138	35.6	691,740	5.5
Corporate bonds	2,658,056	7.6	156,124	5.9
Loans to other funds	2,035,641	5.8	110,146	5.4
Repurchase agreements	8,866	0.0	482	5.4
Time deposits	2,820,736	8.1	152,310	5.4
Reverse repurchase agreements	(836,247)	(2.4)	(42,724)	5.1
Total Portfolio	\$ 35,029,033	100.0 %	\$ 1,999,482	5.7

balance of \$8.4 billion, using generally accepted accounting principles. The budgetary fund balance includes \$2.5 billion in reserves. The reserves represent that portion of the fund balance that is not available for appropriation or that is legally set aside for specific uses.

The Special Fund for Economic Uncertainties, the "rainy day fund," had a balance of \$3.8 billion at the end of the year. Annually, an amount is appropriated in the General Fund to replenish the fund. This fund, as the name implies, provides the monies for those necessary expenditures throughout the year that have not been anticipated or provided for in the annual budget. It also provides relief, to the amount of its available funds, for any budgeted revenue shortfalls.

Proprietary Operations: Proprietary fund types present financial data on activities that are similar to those found in the private sector. Users are charged for the goods or services provided.

Enterprise funds account for goods or services provided to the general public on a continuing basis when the cost involved is to be financed or recovered primarily by user charges. Enterprise funds earned approximately \$4.5 billion in operating revenues and had \$3.5 billion in operating expenses for the year ended June 30, 2000.

Internal service funds account for activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Internal service funds earned approximately \$2.5 billion in operating revenues and had \$2.6 billion in operating expenses for the year ended June 30, 2000.

Fiduciary Operations: Fiduciary fund types are used to account for assets held by the primary government as a trustee or agent. Four fiduciary fund types are reported: expendable trust funds, which account for assets held in a trustee capacity when both principal and income (earnings on principal) may be expended in the course of a fund's designated operations; pension trust funds, which account for transactions, assets, liabilities, and net assets available for plan benefits of the retirement systems; agency funds, which account for assets held by the primary government and where the primary government acts as an agent for individuals, private organizations, other governments, or other funds; and the investment trust fund, which accounts for deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies. Expendable trust funds earned approximately \$7.7 billion in revenues and had \$6.9 billion in expenditures for the fiscal year ended June 30, 2000. Pension funds had \$35.6 billion in additions and \$9.4 billion in deductions to the net assets available for plan benefits. The investment trust fund had net assets of \$12.5 billion as of June 30, 2000. Agency funds had assets of \$19.8 billion as of June 30, 2000.

Risk Management: The primary government has elected, with a few exceptions, to be self-insured against loss or liability and generally does not maintain reserves. Losses are covered by appropriations in the year in which the payment occurs, with workers' compensation benefits for self-insured agencies being initially paid by the State Compensation Insurance Fund (SCIF). The discounted liability for unpaid self-insured workers' compensation losses is estimated to be \$1.1 billion as of June 30, 2000. Of this amount, \$140 million is being reported in the General Fund, \$86 million in special revenue funds, \$19 million in proprietary funds, and \$846 million in the General Long-Term Obligations Account Group.

Independent Audit: State statutes require an annual audit of the general purpose financial statements of the State. To meet this requirement, the State Auditor has examined the accompanying financial statements in accordance with government auditing standards issued by the Comptroller General of the United States and generally accepted auditing standards. The auditor's report on the general

purpose financial statements and combining and individual fund statements and schedules is included in this report.

The State of California is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1997, and the United States Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Governmental Auditing Standards were used by the auditors in conducting the engagement. Information related to this single audit, including a schedule of federal financial assistance, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued single audit report.

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of California for its *Comprehensive Annual Financial Report* for the year ended June 30, 1999. This is the fourth consecutive year the State has received this award. To earn this award, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for only one year. It is the view of the State Controller's Office that this year's report continues to conform to the Certificate of Achievement Program requirements, and it is being submitted to GFOA for its review. The State Controller's Office is committed to ensuring that the *Comprehensive Annual Financial Report* will continue to conform to the Certificate of Achievement Program requirements.

This CAFR could not have been prepared without the generous assistance and cooperation of all state agencies. We wish to thank the State Auditor and her staff for their audit of the financial statements contained in this report. Also, I am grateful to my staff for their hard work and professionalism.

Sincerely,



KATHLEEN CONNELL
California State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

Principal Officials of the State of California

Executive Branch

Gray Davis
Governor

Cruz Bustamante
Lieutenant Governor

Kathleen Connell
State Controller

Bill Lockyer
Attorney General

Philip Angelides
State Treasurer

Bill Jones
Secretary of State

Delaine Eastin
Superintendent of Public Instruction

Harry W. Low
Insurance Commissioner

Board of Equalization
Johan Klehs, Member, First District
Dean F. Andal, Member, Second District
Claude Parrish, Member, Third District
John Chiang, Member, Fourth District

Legislative Branch

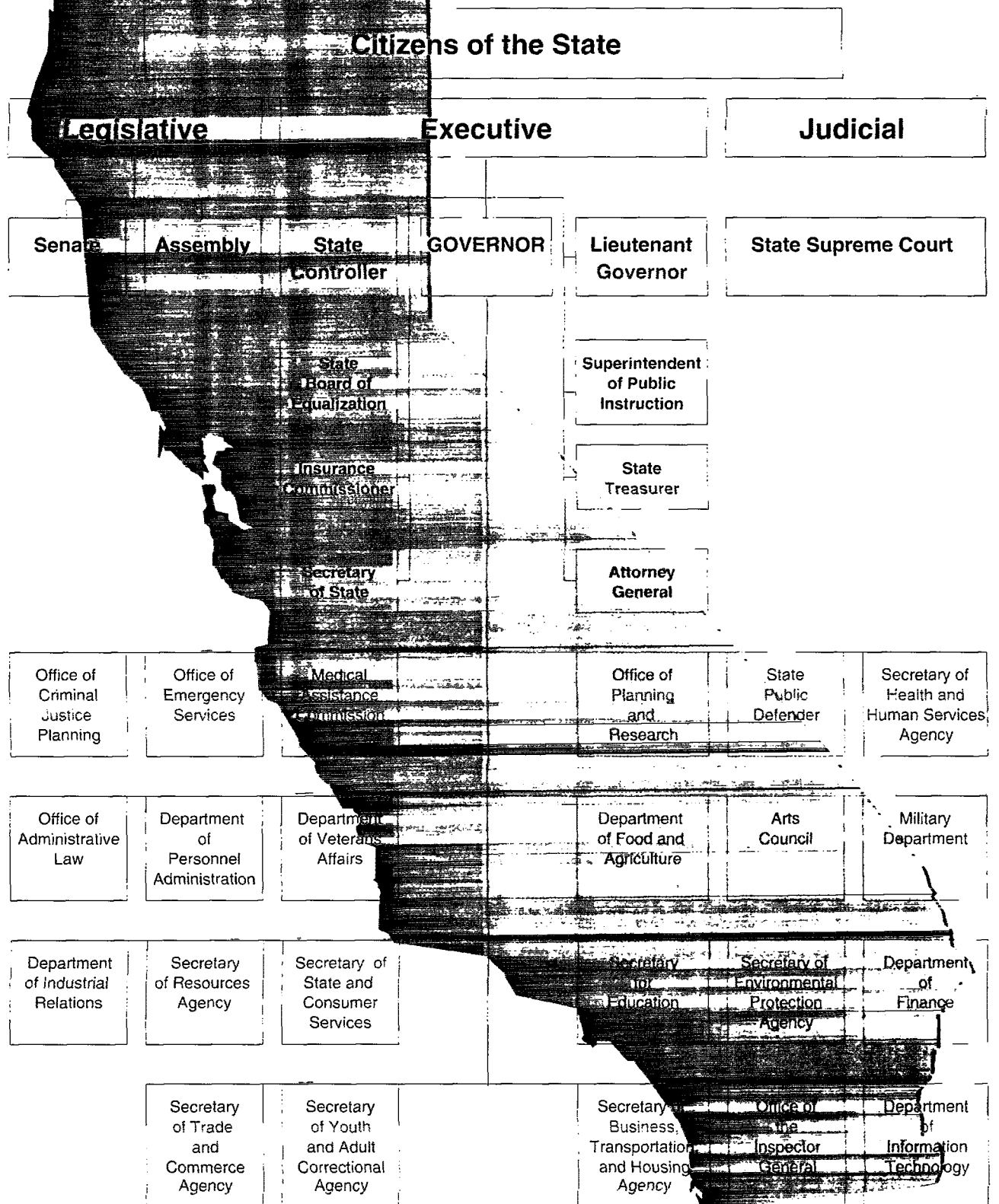
John Burton
President pro Tempore, Senate

Robert Hertzberg
Speaker of the Assembly

Judicial Branch

Ronald M. George
Chief Justice, State Supreme Court

Organization Chart of the State of California



Financial Section





CALIFORNIA STATE AUDITOR

ELAINE M. HOWLE
STATE AUDITOR

STEVEN M. HENDRICKSON
CHIEF DEPUTY STATE AUDITOR

Independent Auditors' Report

THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF CALIFORNIA

We have audited the accompanying general purpose financial statements of the State of California, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of California's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain capital projects funds, which reflect total assets and revenues, constituting 71 percent and 70 percent, respectively, of the capital projects funds. In addition, we did not audit the financial statements of certain enterprise funds, including those of the California State University, which reflect total assets and revenues, constituting 91 percent and 93 percent, respectively, of the enterprise funds. We did not audit the financial statements of certain internal service funds, which reflect total assets and revenues, constituting 26 percent and 47 percent, respectively, of the internal service funds. We also did not audit the financial statements of the pension trust funds, which reflect total assets constituting 88 percent of the fiduciary funds. Finally, we did not audit the University of California funds or the financial statements of certain component unit authorities, which reflect total assets and revenues, constituting 95 percent and 92 percent, respectively, of the component unit authorities. The financial statements of certain capital projects, enterprise and internal service funds, the pension trust funds, the University of California funds, and certain component unit authorities referred to above were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these funds and entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

BUREAU OF STATE AUDITS

555 Capitol Mall, Suite 300, Sacramento, California 95814 Telephone: (916) 445-0255 Fax: (916) 327-0019

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of California, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary funds and component unit authorities for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules and required supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of California. The information for the combining financial statements and schedules and the Schedule of Funding Progress in the required supplementary information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report, and accordingly, we express no opinion on them. In accordance with *Government Auditing Standards*, reports on the State's internal control structure and on its compliance with laws and regulations will be issued in our single audit report. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BUREAU OF STATE AUDITS



PHILIP J. JELICICH, CPA
Deputy State Auditor

November 17, 2000

General Purpose Financial Statements

Combined Balance Sheet

All Fund Types, Account Groups, and
Discretely Presented Component Units

June 30, 2000

(Amounts in thousands)

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
ASSETS AND OTHER DEBITS					
Cash and pooled investments	\$ 9,530,738	\$ 6,965,053	\$ 158,782	\$ 2,435,815	\$ 301,537
Investments	—	181,064	8,205	4,344,005	143,691
Amount on deposit with U. S. Treasury	—	—	—	—	—
Receivables (net)	175,545	407,674	280	156,789	11,219
Due from other funds	6,225,774	3,772,525	67,872	285,593	282,976
Due from primary government	—	—	—	—	—
Due from other governments	452,133	5,237,018	—	123,464	13,837
Prepaid items	—	—	—	7,554	30,689
Food stamps	—	401,221	—	—	—
Inventories, at cost	—	—	—	14,451	93,463
Net investment in direct financing leases	—	—	—	4,900,655	—
Advances and loans receivable	287,306	1,703,262	—	2,964,524	—
Deferred charges	—	—	—	894,772	—
Fixed assets	—	—	—	4,850,022	512,697
Investment in UCSF Stanford Health Care	—	—	—	—	—
Other assets	994	15,153	2	15,325	10,392
Amount to be provided for retirement of long-term obligations	—	—	—	—	—
Total Assets and Other Debits	\$ 16,672,490	\$ 18,682,970	\$ 235,141	\$ 20,992,969	\$ 1,400,501

Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations		University of California	Special Purpose Authorities	
\$ 20,334,930	\$ —	\$ —	\$ 39,726,855	\$ 117,852	\$ 1,011,160	\$ 40,855,867
320,775,223	—	—	325,452,188	69,238,649	7,469,334	402,160,171
5,700,891	—	—	5,700,891	—	—	5,700,891
14,085,885	—	—	14,837,392	2,279,996	356,832	17,474,220
5,413,335	—	—	16,048,075	125,881	—	16,173,956
—	—	—	—	175,982	5,213	181,195
1,928,703	—	—	7,755,155	148,140	—	7,903,295
34,032	—	—	72,275	—	400	72,675
—	—	—	401,221	—	—	401,221
—	—	—	107,914	104,652	—	212,566
—	—	—	4,900,655	—	—	4,900,655
1,251,568	—	—	6,206,660	—	5,859,389	12,066,049
—	—	—	894,772	83,246	63,920	1,041,938
—	17,555,474	—	22,918,193	16,865,382	525,319	40,308,894
—	—	—	—	15,400	—	15,400
386,491	—	—	428,357	—	798,089	1,226,446
—	—	25,821,838	25,821,838	—	—	25,821,838
\$ 369,911,058	\$ 17,555,474	\$ 25,821,838	\$ 471,272,441	\$ 89,155,180	\$ 16,089,656	\$ 576,517,277

(Continued)

Combined Balance Sheet

All Fund Types, Account Groups, and
Discretely Presented Component Units

June 30, 2000

(Amounts in thousands)

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
LIABILITIES					
Accounts payable	\$ 1,340,396	\$ 1,557,720	\$ 7,193	\$ 125,095	\$ 116,643
Due to other funds	2,456,218	4,328,235	10,023	295,102	160,869
Due to component units	67,182	109,695	—	—	—
Due to other governments	3,595,436	2,974,980	1,355	166,548	94,079
Dividends payable	—	—	—	—	—
Deferred revenue	—	401,455	—	—	—
Advances from other funds	508,785	64,573	—	34,758	98,797
Tax overpayments	—	8,082	—	—	—
Benefits payable	—	—	—	567,300	59,903
Deposits	5	17,264	—	3,034	2,204
Contracts and notes payable	—	—	—	—	27,261
Lottery prizes and annuities	—	—	—	2,828,358	—
Compensated absences payable	135,914	—	—	32,182	35,969
Certificates of participation, commercial paper, and other borrowings	—	—	—	28,117	—
Capital lease obligations	—	—	—	—	69,325
Advance collections	23,995	94,072	2,807	278,761	153,205
General obligation bonds payable	—	—	—	3,513,400	—
Revenue bonds payable	—	—	—	8,993,282	—
Interest payable	1,553	—	26,921	161,331	—
Securities lending obligation	—	—	—	—	—
Other liabilities	175,686	195,932	—	390,489	27,505
Total Liabilities	8,305,170	9,752,008	48,299	17,417,757	845,760
FUND EQUITY AND OTHER CREDITS					
Contributed capital	—	—	—	296,484	347,083
Investment in general fixed assets	—	—	—	—	—
Retained earnings					
Reserved for regulatory requirements	—	—	—	242,531	—
Unreserved	—	—	—	3,036,197	207,658
Total Retained Earnings	—	—	—	3,278,728	207,658
Fund balances					
Reserved for					
Encumbrances	701,275	3,240,201	122,527	—	—
Local agencies	—	—	—	—	—
Advances and loans	287,306	1,703,262	—	—	—
Employees' pension benefits	—	—	—	—	—
Continuing appropriations	1,115,188	3,740,863	43,171	—	—
Other specific purposes	—	—	—	—	—
Total Reserved	2,103,769	8,684,326	165,698	—	—
Unreserved					
Undesignated	6,263,551	246,636	21,144	—	—
Total Fund Equity and Other Credits	8,367,320	8,930,962	186,842	3,575,212	554,741
Total Liabilities, Fund Equity, and Other Credits	\$ 16,672,490	\$ 18,682,970	\$ 235,141	\$ 20,992,969	\$ 1,400,501

Fiduciary Fund Type	Account Groups		Total Primary	Component Units		Total Reporting
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Government (Memorandum Only)	University of California	Special Purpose Authorities	Entity (Memorandum Only)
\$ 6,082,030	\$ —	\$ —	\$ 9,229,077	\$ 1,536,685	\$ 16,420	\$ 10,782,182
8,797,628	—	—	16,048,075	125,881	—	16,173,956
4,318	—	—	181,195	—	—	181,195
4,167,884	—	—	11,000,282	—	8,983	11,009,265
—	—	—	—	—	145,386	145,386
—	—	—	401,455	—	—	401,455
162,972	—	—	869,885	—	—	869,885
1,895,501	—	—	1,903,583	—	—	1,903,583
421,800	—	—	1,049,003	—	5,062,442	6,111,445
903,702	—	—	926,209	1,316,951	116,262	2,359,422
1,072	—	—	28,333	—	5,248	33,581
—	—	—	2,828,358	—	—	2,828,358
—	—	1,227,649	1,431,714	359,363	32,018	1,823,095
—	—	622,656	650,773	1,005,029	—	1,655,802
—	—	3,407,790	3,477,115	1,211,617	—	4,688,732
147,248	—	—	700,088	—	173,075	873,163
—	—	17,838,290	21,351,690	—	—	21,351,690
—	—	843,850	9,837,132	2,754,000	6,693,933	19,285,065
—	—	—	189,805	—	144,318	334,123
30,550,543	—	—	30,550,543	8,640,549	—	39,191,092
6,172,069	—	1,881,603	8,843,284	—	783,039	9,626,323
59,306,767	—	25,821,838	121,497,599	16,950,075	13,181,124	151,628,798
—	—	—	643,567	—	109	643,676
—	17,555,474	—	17,555,474	12,249,011	—	29,804,485
—	—	—	242,531	—	657,211	899,742
—	—	—	3,243,855	—	2,251,212	5,495,067
—	—	—	3,486,386	—	2,908,423	6,394,809
—	—	—	4,064,003	—	—	4,064,003
12,528,388	—	—	12,528,388	—	—	12,528,388
578,926	—	—	2,569,494	—	—	2,569,494
285,631,779	—	—	285,631,779	50,580,077	—	336,211,856
—	—	—	4,899,222	—	—	4,899,222
—	—	—	—	5,512,775	—	5,512,775
298,739,093	—	—	309,692,886	56,092,852	—	365,785,738
11,865,198	—	—	18,396,529	3,863,242	—	22,259,771
310,604,291	17,555,474	—	349,774,842	72,205,105	2,908,532	424,888,479
\$ 369,911,058	\$ 17,555,474	\$ 25,821,838	\$ 471,272,441	\$ 89,155,180	\$ 16,089,656	\$ 576,517,277

(Concluded)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Funds

Year Ended June 30, 2000

(Amounts in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total Primary Government (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
REVENUES					
Taxes	\$ 69,887,584	\$ 5,703,438	\$ —	\$ 4,602,031	\$ 80,193,053
Intergovernmental	4,404	31,538,816	—	639,494	32,182,714
Licenses and permits	44,786	3,200,315	750	—	3,245,851
Natural resources	12,255	79,407	—	—	91,662
Charges for services	173,018	675,334	—	5,772	854,124
Fees and penalties	69,390	1,929,286	—	459,648	2,458,324
Investment and interest	485,211	435,220	18,466	645,071	1,583,968
Escheat	—	—	—	173,136	173,136
Receipts from depositors	—	—	—	514,356	514,356
Other	633,875	451,168	25,018	669,766	1,779,827
Total Revenues	71,310,523	44,012,984	44,234	7,709,274	123,077,015
EXPENDITURES					
Current					
General government	2,265,123	3,746,505	17	71,702	6,083,347
Education	30,753,111	6,152,064	6	1,783,301	38,688,482
Health and human services	17,339,355	27,363,393	—	4,716,238	49,418,986
Resources	1,080,458	1,595,749	2,246	28,347	2,706,800
State and consumer services	445,207	396,076	9,039	1,089	851,411
Business and transportation	766,098	6,554,280	42	18,106	7,338,526
Correctional programs	4,375,739	225,460	—	—	4,601,199
Tax relief	2,173,459	—	—	—	2,173,459
Payments to depositors	—	—	—	305,690	305,690
Capital outlay	82,350	321,546	305,802	—	709,698
Debt service					
Principal retirement	1,066,892	22,820	32,482	—	1,122,194
Interest and fiscal charges	984,387	82,499	59,144	—	1,126,030
Total Expenditures	61,332,179	46,460,392	408,778	6,924,473	115,125,822
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	9,978,344	(2,447,408)	(364,544)	784,801	7,951,193
OTHER FINANCING SOURCES (USES)					
Proceeds from general obligation bonds, commercial paper, and capital leases	82,350	5,011,776	672,349	—	5,766,475
Proceeds from revenue bonds	—	—	59,045	—	59,045
Operating transfers in	614,413	3,834,248	114,782	269,898	4,833,341
Operating transfers out	(1,212,134)	(3,321,264)	(419)	(237,286)	(4,771,103)
Transfers out — component units	(3,426,912)	(110,386)	(13,074)	(1,300)	(3,551,672)
Payment to refund commercial paper	—	(2,398,380)	(337,120)	—	(2,735,500)
Total Other Financing Sources (Uses) ..	(3,942,283)	3,015,994	495,563	31,312	(399,414)
Excess of Revenues and Other Financing					
Sources Over Expenditures and Other					
Financing Uses	6,036,061	568,586	131,019	816,113	7,551,779
Fund Balances, July 1, 1999	2,331,259	8,362,376	55,823	11,628,011	22,377,469
Fund Balances, June 30, 2000	\$ 8,367,320	\$ 8,930,962	\$ 186,842	\$ 12,444,124	\$ 29,929,248

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings

All Proprietary Fund Types and Discretely Presented Component Units –
Special Purpose Authorities

Year Ended June 30, 2000

(Amounts in thousands)

	Proprietary Fund Types		Total Primary Government (Memorandum Only)	Component Units Special Purpose Authorities	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
OPERATING REVENUES					
Lottery ticket sales	\$ 2,598,379	\$ —	\$ 2,598,379	\$ —	\$ 2,598,379
Service and sales	1,193,457	2,506,725	3,700,182	125,290	3,825,472
Earned premiums (net)	—	—	—	1,242,319	1,242,319
Investment and interest	264,582	210	264,792	387,257	652,049
Contributions	—	—	—	3,194	3,194
Rent	387,327	—	387,327	25,172	412,499
Other	50,676	12,388	63,064	65,137	128,201
Total Operating Revenues	4,494,421	2,519,323	7,013,744	1,848,369	8,862,113
OPERATING EXPENSES					
Lottery prizes	1,369,435	—	1,369,435	—	1,369,435
Personal services	340,633	334,204	674,837	120,990	795,827
Supplies	74,858	34,126	108,984	—	108,984
Services and charges	1,016,175	2,144,549	3,160,724	156,245	3,316,969
Depreciation	105,330	86,564	191,894	11,394	203,288
Benefit payments	—	—	—	1,490,069	1,490,069
Interest expense	511,199	4,607	515,806	372,487	888,293
Amortization of deferred charges	86,853	—	86,853	178,524	265,377
Total Operating Expenses	3,504,483	2,604,050	6,108,533	2,329,709	8,438,242
Operating Income (Loss)	989,938	(84,727)	905,211	(481,340)	423,871
NONOPERATING REVENUES (EXPENSES)					
Grants received	267	—	267	69,389	69,656
Grants provided	(41,813)	—	(41,813)	(69,389)	(111,202)
Investment and interest income (loss)	116,532	13,391	129,923	(82,706)	47,217
Interest expense and fiscal charges	(207,523)	(38)	(207,561)	(2,745)	(210,306)
Dividends paid	—	—	—	7,279	7,279
Lottery payments for education	(907,305)	—	(907,305)	—	(907,305)
Other	(20,266)	(338)	(20,604)	7,626	(12,978)
Total Nonoperating Revenues (Expenses)	(1,060,108)	13,015	(1,047,093)	(70,546)	(1,117,639)
Income (Loss) Before Operating Transfers	(70,170)	(71,712)	(141,882)	(551,886)	(693,768)
OPERATING TRANSFERS					
Operating transfers in	32,334	7,126	39,460	—	39,460
Operating transfers in — primary government	—	—	—	425,000	425,000
Operating transfers out	(64,564)	(15,099)	(79,663)	—	(79,663)
Total Operating Transfers	(32,230)	(7,973)	(40,203)	425,000	384,797
Net Income (Loss)	(102,400)	(79,685)	(182,085)	(126,886)	(308,971)
Retained Earnings, July 1, 1999	3,381,128	287,343	3,668,471	3,035,309 *	6,703,780
Retained Earnings, June 30, 2000	\$ 3,278,728	\$ 207,658	\$ 3,486,386	\$ 2,908,423	\$ 6,394,809

*Restated

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Non-GAAP Budgetary Basis – Budget and Actual All Governmental Cost Funds

Year Ended June 30, 2000

(Amounts in thousands)

	General Fund		
	Budget	Actual	Variance
REVENUES			
Major taxes and licenses			
Bank and corporation taxes	—	\$ 6,638,762	—
Cigarette and tobacco tax	—	132,199	—
Inheritance, estate and gift taxes	—	928,146	—
Insurance gross premiums tax	—	1,299,777	—
Vehicle license fees	—	28,422	—
Motor vehicle fuel tax	—	—	—
Personal income tax	—	39,574,650	—
Retail sales and use taxes	—	21,137,297	—
Other major taxes and licenses	—	288,120	—
Total Major Taxes and Licenses	—	70,027,373	—
Minor revenues	—	1,528,263	—
Total Revenues	—	71,555,636	—
EXPENDITURES			
Legislative, judicial, executive	\$ 2,376,642	2,332,475	\$ 44,167
State and consumer services	447,832	438,583	9,249
Business, transportation and housing	745,296	745,043	253
Trade and commerce	482,631	480,438	2,193
Resources	1,024,920	982,000	42,920
Environmental protection	148,488	140,245	8,243
Health and human services	17,753,473	17,485,106	268,367
Correctional programs	4,539,608	4,396,357	143,251
Education	34,043,665	34,014,860	28,805
General government			
Tax relief and shared revenues	2,203,119	2,171,316	31,803
Debt service	2,107,329	2,072,690	34,639
Other general government	937,242	844,599	92,643
Total Expenditures	\$ 66,810,245	66,103,712	\$ 706,533
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	423,302	—
Transfers to other funds	—	(203,818)	—
Other additions and deductions	—	48,095	—
Total Other Financing Sources (Uses)	—	267,579	—
Excess of Revenues and Other Sources Over Expenditures and Other Uses	—	5,719,503	—
FUND BALANCES			
Fund Balances, July 1, 1999, Restated	—	3,920,188	—
Fund Balances, June 30, 2000	—	\$ 9,639,691	—

Other Governmental Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance
—	\$ 136	—	—	\$ 6,638,898	—
—	1,084,452	—	—	1,216,651	—
—	—	—	—	928,146	—
—	—	—	—	1,299,777	—
—	3,315,500	—	—	3,343,922	—
—	3,069,694	—	—	3,069,694	—
—	3,587	—	—	39,578,237	—
—	4,388,491	—	—	25,525,788	—
—	1,957,499	—	—	2,245,619	—
—	13,819,359	—	—	83,846,732	—
—	4,352,791	—	—	5,881,054	—
—	18,172,150	—	—	89,727,786	—
\$ 531,821	513,748	\$ 18,073	\$ 2,908,463	2,846,223	\$ 62,240
586,333	417,513	168,820	1,034,165	856,096	178,069
5,783,550	4,960,976	822,574	6,528,846	5,706,019	822,827
8,659	8,051	608	491,290	488,489	2,801
902,692	876,844	25,848	1,927,612	1,858,844	68,768
561,962	549,433	12,529	710,450	689,678	20,772
4,337,725	4,321,185	16,540	22,091,198	21,806,291	284,907
16,965	16,185	780	4,556,573	4,412,542	144,031
927,307	895,323	31,984	34,970,972	34,910,183	60,789
3,346,500	3,346,500	—	5,549,619	5,517,816	31,803
501	270	231	2,107,830	2,072,960	34,870
(86,411)	(117,896)	31,485	850,831	726,703	124,128
\$ 16,917,604	15,788,132	\$ 1,129,472	\$ 83,727,849	81,891,844	\$ 1,836,005
—	15,019,520	—	—	15,442,822	—
—	(17,128,953)	—	—	(17,332,771)	—
—	272,271	—	—	320,366	—
—	(1,837,162)	—	—	(1,569,583)	—
—	546,856	—	—	6,266,359	—
—	5,925,389	—	—	9,845,577	—
—	\$ 6,472,245	—	—	\$ 16,111,936	—

The notes to the financial statements are an integral part of this statement.

Combined Statement of Cash Flows

All Proprietary Fund Types and Discretely Presented Component Units –
Special Purpose Authorities

Year Ended June 30, 2000

(Amounts in thousands)

	Proprietary Fund Types		Component
	Enterprise (1)	Internal Service (2)	Special Purpose Authorities
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 989,938	\$ (84,727)	\$ (481,340)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY OPERATIONS			
Interest expense on operating debt	(1,654)	4,607	369,272
Depreciation	105,330	86,564	11,394
Accretion of capital appreciation bonds	10,344	—	19,665
Provisions and allowances	5,573	—	18,703
Accrual of deferred charges	(3,631)	—	(181,187)
Amortization of deferred credits	(3,798)	—	(3,212)
Amortization of discounts	1,604	—	8,009
Amortization of deferred charges	86,853	—	177,062
Purchase of program loans	—	—	(1,045,262)
Collection of principal from program loans	(125)	—	334,094
Other	(3,609)	848	12,196
Change in assets and liabilities			
Receivables	(24,265)	(6,904)	(23,712)
Due from other funds	(17,174)	32,480	—
Due from primary government	—	—	(1,480)
Due from other governments	(48,212)	(3,314)	—
Prepaid items	(714)	(2,956)	(65)
Inventories	1,196	(5,576)	—
Net investment in direct financing leases	185,528	—	—
Advances and loans receivable	(392,250)	—	—
Other assets	6,376	1,566	49,164
Accounts payable	8,495	(44,345)	5,872
Interest payable	21,809	—	—
Due to other funds	(20,261)	(21,807)	(1,180)
Due to other governments	17,099	18,831	4
Benefits payable	213,382	16,776	156,481
Deposits	(688)	1,502	2,307
Lottery prizes and annuities	(234,108)	—	—
Contracts and notes payable	(585)	(2,695)	1,192
Compensated absences payable	2,888	(2,019)	2,360
Capital lease obligations	—	(2,619)	—
Advance collections	3,451	134	(4,579)
Other liabilities	23,451	5,901	(100,321)
Total Adjustments	(57,695)	76,974	(193,223)
Net Cash Provided by (Used In) Operating Activities	932,243	(7,753)	(674,563)

(Continued)

	Proprietary Fund Types		Component Units
	Enterprise (1)	Internal Service (2)	Special Purpose Authorities (3)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Dividends paid	—	—	(93,098)
Advances from other funds	10,186	2,846	—
Collection of advances and loans	13,915	—	—
Return of advances from other funds	(6,160)	—	—
Proceeds from revenue bonds	117,200	—	1,570,831
Retirement of general obligation bonds	(162,815)	—	—
Retirement of revenue bonds	(15,600)	—	(896,416)
Interest paid on operating debt	—	—	(364,436)
Operating transfers in	28,047	7,126	—
Operating transfers out	(54,258)	(15,099)	—
Grants provided	(41,813)	—	(69,389)
Lottery payments for education	(975,825)	—	—
Net Cash Provided by (Used In) Noncapital Financing Activities	(1,087,123)	(5,127)	147,492
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Unamortized water project costs	6,321	—	—
Acquisition of intangible assets	—	(1,747)	—
Acquisition of fixed assets	(235,685)	(104,004)	(16,224)
Proceeds from sale of fixed assets	63	18,998	4
Advances from other funds	372,605	—	—
Advances and loans provided	(9,580)	—	—
Collection of advances and loans	11,942	—	—
Return of advances from other funds	(368,254)	—	—
Proceeds from notes payable and commercial paper	13,753	12,347	—
Principal paid on notes payable and commercial paper	—	(3,440)	—
Payment of capital lease obligations	—	(2,430)	—
Retirement of general obligation bonds	(39,900)	—	—
Proceeds from revenue bonds	296,262	—	—
Retirement of revenue bonds	(333,337)	—	(2,521)
Interest paid	(207,739)	(4,607)	(2,777)
Contributed capital	48,827	1,901	—
Grants received	267	—	69,389
Operating transfers in	4,307	—	425,000
Operating transfers out	(10,082)	—	—
Net Cash Provided by (Used In) Capital and Related Financing Activities	(450,230)	(82,982)	472,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(357,793)	—	(3,097,345)
Proceeds from maturity and sale of investments	838,660	44,185	2,657,031
Earnings on investments	114,827	13,889	515,567
Net Cash Provided by Investing Activities	595,694	58,074	75,253
Net Increase (Decrease) in Cash and Pooled Investments	(9,416)	(37,788)	21,053
Cash and Pooled Investments at July 1, 1999	2,445,231	339,325	990,107
Cash and Pooled Investments at June 30, 2000	\$ 2,435,815	\$ 301,537	\$ 1,011,160

(Concluded)

Non-cash transactions are those portions of investing, financing, or capital activities that affected assets and liabilities but did not result in cash receipts or payments during the period.

- (1) Enterprise funds had the following non-cash transactions: a. \$199 million on interest accreted on annuitized lottery prizes; b. \$41 million on unclaimed lottery prizes directly transferred for educational purposes; c. \$33 million unrealized gain and \$27 million unrealized loss on investments.
- (2) Internal service funds made non-cash transactions for installment purchases totaling approximately \$12 million to acquire equipment.
- (3) Component units had a \$621 million unrealized loss on investments.

Combined Statement of Changes in Plan Net Assets

Pension Trust Funds and Discretely Presented Component Unit –
University of California

Year Ended June 30, 2000

(Amounts in thousands)

	Primary Government Pension Trust Funds	Component Unit University of California Retirement System Funds
ADDITIONS		
Contributions		
Employer	\$ 3,004,829	\$ 1,584
Plan member	3,312,103	557,441
Total Contributions	6,316,932	559,025
Investment income		
Net appreciation in fair value of investments	20,982,667	4,067,246
Interest, dividends, and other investment income	10,511,973	2,163,444
Less: Investment expense	(2,204,266)	(417,798)
Net Investment Income	29,290,374	5,812,892
Other	8,091	1,229,620
Total Additions	35,615,397	7,601,537
DEDUCTIONS		
Benefits	8,899,138	665,803
Refunds of contributions	223,077	466,510
Administrative expense	226,856	25,911
Operating transfers out	22,035	—
Total Deductions	9,371,106	1,158,224
Net Increase in Fund Balance Reserved for Employees' Pension Benefits	26,244,291	6,443,313
Fund Balance Reserved for Employees' Pension Benefits, July 1, 1999	259,387,488	44,136,764
Fund Balance Reserved for Employees' Pension Benefits, June 30, 2000	\$ 285,631,779	\$ 50,580,077

Statement of Changes in Net Assets

Investment Trust Fund – Local Agency Investment

Year Ended June 30, 2000

(Amounts in thousands)

CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	
Investment and interest income.....	\$ 734,099
Less: Operating expenditures and expenses.....	(1,710)
Net Increase in Net Assets Resulting From Operations	732,389
DISTRIBUTIONS TO PARTICIPANTS	
Distributions paid and payable.....	(732,389)
CHANGE IN NET ASSETS RESULTING FROM DEPOSITOR TRANSACTIONS	
Receipts from depositors.....	17,149,806
Less: Withdrawals by depositors.....	(18,776,242)
Net Decrease in Net Assets Resulting from Depositor Transactions	(1,626,436)
Total Change in Net Assets	(1,626,436)
Net Assets Held in Trust for Pool Participants, July 1, 1999	14,154,824
Net Assets Held in Trust for Pool Participants, June 30, 2000	\$ 12,528,388

Combined Balance Sheet – Discretely Presented Component Unit – University of California

June 30, 2000

(Amounts in thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Agency Funds	Retirement System Funds	Total (Memorandum Only)
ASSETS							
Cash.....	\$ 115,322	\$ —	\$ —	\$ 2,530	\$ —	\$ —	\$ 117,852
Investments.....	3,986,970	78,724	5,639,777	1,713,613	749,991	57,069,574	69,238,649
Receivables (net).....	1,446,772	281,939	31,516	11,453	—	508,316	2,279,996
Due from other funds.....	80	—	23,542	1,281	—	100,978	125,881
Due from primary government.....	175,982	—	—	—	—	—	175,982
Due from other governments.....	147,179	961	—	—	—	—	148,140
Inventories, at cost.....	104,652	—	—	—	—	—	104,652
Deferred charges.....	83,246	—	—	—	—	—	83,246
Fixed assets.....	—	—	—	16,865,382	—	—	16,865,382
Investment in UCSF Stanford Health Care.....	—	—	—	15,400	—	—	15,400
Total Assets.....	\$ 6,060,203	\$ 361,624	\$ 5,694,835	\$ 18,609,659	\$ 749,991	\$ 57,678,868	\$ 89,155,180
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts payable.....	\$ 1,460,068	\$ —	\$ 5,896	\$ 37,949	\$ —	\$ 32,772	\$ 1,536,685
Due to other funds.....	102,480	2,000	—	21,401	—	—	125,881
Deposits.....	566,960	—	—	—	749,991	—	1,316,951
Compensated absences.....	359,363	—	—	—	—	—	359,363
Commercial paper and other borrowings.....	2,025	—	—	1,003,004	—	—	1,005,029
Capital lease obligations.....	—	—	—	1,211,617	—	—	1,211,617
Revenue bonds payable.....	—	7,405	—	2,746,595	—	—	2,754,000
Securities lending obligation.....	603,402	12,931	693,776	264,421	—	7,066,019	8,640,549
Total Liabilities.....	3,094,298	22,336	699,672	5,284,987	749,991	7,098,791	16,950,075
Fund Equity							
Investment in general fixed assets.....	—	—	—	12,249,011	—	—	12,249,011
Fund balances							
Employees' pension benefits...	—	—	—	—	—	50,580,077	50,580,077
Reserved for other specific purposes.....	942,562	300,068	3,932,887	337,258	—	—	5,512,775
Undesignated.....	2,023,343	39,220	1,062,276	738,403	—	—	3,863,242
Total Fund Equity.....	2,965,905	339,288	4,995,163	13,324,672	—	50,580,077	72,205,105
Total Liabilities and Fund Equity.....	\$ 6,060,203	\$ 361,624	\$ 5,694,835	\$ 18,609,659	\$ 749,991	\$ 57,678,868	\$ 89,155,180

Combined Statement of Changes in Fund Balances – Discretely Presented Component Unit – University of California

Year Ended June 30, 2000

(Amounts in thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds
REVENUES AND OTHER ADDITIONS				
Student tuition and fees.....	\$ 1,113,853	\$ —	\$ —	\$ 17,201
U.S. government.....	4,731,827	2,158	—	34,297
Local government.....	112,964	—	—	—
Sales and services				
Educational activities.....	869,243	—	—	—
Medical centers.....	2,205,476	—	—	—
Auxiliary enterprises.....	639,794	—	—	—
Private gifts, grants, and contracts.....	833,417	703	31,413	78,303
Investment income				
Endowment activities.....	142,994	—	6,211	—
Securities lending.....	92,276	872	—	14,359
Other.....	145,261	9,614	—	63,574
Net appreciation (depreciation) in fair value of investments.....	30,601	(550)	436,774	(11,034)
Expended for plant facilities (including \$451,457 of current funds)...	—	—	—	1,267,981
UCSF Stanford Health Care-Operating loss.....	(62,321)	—	—	—
Retirement of indebtedness.....	—	—	—	157,553
Other revenues.....	454,444	—	—	357,348
Transfers in — primary government.....	2,940,384	—	—	186,288
Other additions.....	84,842	4,087	8,476	357
Total Revenues and Other Additions.....	14,335,055	16,884	482,874	2,166,227
EXPENDITURES AND OTHER DEDUCTIONS				
Current fund expenditures				
Educational and general.....	7,676,541	—	—	—
Medical centers.....	2,144,778	—	—	—
Auxiliary enterprises.....	518,682	—	—	—
Department of Energy laboratories.....	2,996,653	—	—	—
Securities lending fees and rebates.....	88,448	836	—	13,767
Plant fund expenditures (including noncapitalized expenditures of \$57,283).....	—	—	—	399,929
Issuance of debt obligations.....	—	—	—	345,803
Debt service				
Principal retirement.....	—	—	—	157,553
Interest.....	—	—	—	253,527
Disposal of plant assets.....	—	—	—	351,381
Other.....	34,852	5,777	1,196	17,102
Total Expenditures and Other Deductions.....	13,459,954	6,613	1,196	1,539,062
TRANSFERS AMONG FUNDS				
Mandatory contractual arrangements				
Loan funds matching grants.....	(1,277)	1,277	—	—
Principal and interest.....	(311,706)	—	—	311,706
Nonmandatory (discretionary allocations).....	(371,529)	3,572	26,415	341,542
Total Transfers Among Funds.....	(684,512)	4,849	26,415	653,248
Net Increase in Fund Balances.....	190,589	15,120	508,093	1,280,413
Fund Balances, July 1, 1999.....	2,775,316	324,168	4,487,070	12,044,259
Fund Balances, June 30, 2000.....	\$ 2,965,905	\$ 339,288	\$ 4,995,163	\$ 13,324,672

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes – Discretely Presented Component Unit – University of California

Year Ended June 30, 2000

(Amounts in thousands)

	Current Funds		Total
	Unrestricted	Restricted	(Memorandum Only)
REVENUES			
Student tuition and fees.....	\$ 1,113,853	\$ —	\$ 1,113,853
U.S. government appropriations, grants and contracts.....	334,941	1,374,171	1,709,112
Local government grants and contracts.....	2,167	107,138	109,305
Sales and services			
Education activities.....	869,243	—	869,243
Medical centers.....	2,205,476	—	2,205,476
Auxiliary enterprises.....	639,794	—	639,794
Private gifts, grants and contracts.....	75,220	655,418	730,638
Investment income			
Endowment and similar funds.....	32,287	86,799	119,086
Securities lending.....	45,957	44,392	90,349
Other.....	113,537	—	113,537
Net appreciation in fair value of investments.....	21,361	—	21,361
Department of Energy laboratories.....	31,296	2,996,653	3,027,949
Other revenues.....	454,444	—	454,444
Transfers in — primary government.....	2,488,944	355,056	2,844,000
Total Revenues.....	8,428,520	5,619,627	14,048,147
EXPENDITURES AND MANDATORY TRANSFERS			
Educational and general			
Instructional.....	2,257,297	159,277	2,416,574
Research.....	316,361	1,768,261	2,084,622
Public service.....	165,913	128,309	294,222
Academic support.....	1,016,666	130,784	1,147,450
Student services.....	293,063	12,025	305,088
Institutional support.....	534,905	43,347	578,252
Operation and maintenance of plant.....	356,596	896	357,492
Student financial aid.....	176,790	316,051	492,841
Mandatory transfers			
Loan fund matching grant.....	927	350	1,277
Debt service.....	98,232	107,798	206,030
Total Educational and General Expenditures, and Mandatory Transfers.....	5,216,750	2,667,098	7,883,848
Medical centers			
Expenditures.....	2,139,696	5,082	2,144,778
Mandatory transfers.....	54,127	—	54,127
Total Medical Centers.....	2,193,823	5,082	2,198,905
Auxiliary enterprises			
Expenditures.....	504,132	14,550	518,682
Mandatory transfers.....	51,549	—	51,549
Total Auxiliary Enterprises.....	555,681	14,550	570,231
UCSF Stanford Health Care loss.....	62,321	—	62,321
Department of Energy laboratories.....	—	2,996,653	2,996,653
Securities lending fees and rebates.....	44,056	44,392	88,448
Total Expenditures and Mandatory Transfers.....	8,072,631	5,727,775	13,800,406
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)			
Restricted receipts in excess of restricted expenditures.....	—	264,004	264,004
Nonmandatory transfers.....	(304,685)	(66,844)	(371,529)
Other.....	46,644	3,729	50,373
Total Other Transfers and Additions (Deductions).....	(258,041)	200,889	(57,152)
Net Increase in Fund Balances.....	\$ 97,848	\$ 92,741	\$ 190,589

The notes to the financial statements are an integral part of this statement.



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Notes to the Financial Statements

NOTE 1.**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP).

A. Reporting Entity

As required by GASB Statement No. 14, The Financial Reporting Entity, these financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. GASB Statement No. 14 does not modify the fiduciary fund reporting requirements of the primary government. As a result, funds such as the Public Employees' Retirement Fund and the State Teachers' Retirement Fund are reported in the appropriate fiduciary funds. Component units are organizations that are legally separate from the State but for which the State is financially accountable, or for which the nature and significance of their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The decision to include a potential component unit in the State's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Following is information on blended and discretely presented component units for the State.

Blended component units, although legally separate entities, are in substance part of the primary government's operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

Building authorities are blended component units because they have been created through the use of Joint Exercise of Powers Agreements with various cities to finance the construction of state buildings. The building authorities are reported as capital projects funds. As a result, the \$836 million of capital lease arrangements between the building authorities and the State have been eliminated from the combined balance sheet. Instead, only the underlying fixed assets and the debt used to acquire them are reported in the

appropriate account groups. Copies of the financial statements of the building authorities may be obtained from the State Controller's Office, Division of Accounting and Reporting, P.O. Box 942850, Sacramento, California 94250-5876.

Discretely presented component units are reported in separate columns in the combined financial statements. Discretely presented component units are legally separate from the primary government, and mostly provide services to entities and individuals outside the State. For ease of presentation, discretely presented component units, other than the University of California, are included in the statements under the heading of special purpose authorities.

The University of California was founded in 1868 as a public, state-supported, land grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California. The University of California is a component unit of the State because the State appoints a voting majority of the Regents of the University of California, and expenditures for the support of various University of California programs and capital outlay are appropriated by the annual Budget Act.

Copies of the University of California's separately issued financial statements may be obtained from the University of California, Financial Management, 1111 Franklin Street, 10th Floor, Oakland, California 94607-5200.

Special purpose authorities are presented in three separate categories for condensed financial statement reporting purposes: State Compensation Insurance Fund (SCIF), California Housing Finance Agency (CHFA), and Non-Major Component Units. SCIF and CHFA are considered major component units while all other special purpose authority component units are shown as Non-Major Component Units.

The SCIF is a self-supporting enterprise created to offer insurance protection to employers at the lowest possible cost. It operates in competition with other insurance carriers to provide services to the State, counties, cities, school districts, or other public corporations. It is a component unit of the State because the State appoints all five voting members of the SCIF's governing board and has the authority to approve or modify the SCIF's budget. Copies of the SCIF's financial statements for the year ended December 31, 1999, may be obtained from the State Compensation Insurance Fund, 1275 Market Street, San Francisco, California 94103.

The CHFA was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. The CHFA's purpose is to meet

the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of the CHFA's governing board and has the authority to approve or modify its budget. Copies of the CHFA's financial statements may be obtained from the California Housing Finance Agency, 1121 L Street, Sacramento, California 95814.

State legislation created various Non-Major Component Units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. The California Pollution Control Financing Authority, the San Joaquin River Conservancy, and the District Agricultural Associations are considered component units, since they have a fiscal dependency on the primary government. The California Educational Facilities Authority is considered a component unit, since its exclusion from the statements would be misleading because of its relationship with the primary government. The balance of the non-major component units are considered component units, since the majority of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity or the entity provides a specific financial benefit to the primary government. Copies of the financial statements of these component units may be obtained from the State Controller's Office, Division of Accounting and Reporting, P.O. Box 942850, Sacramento, California 94250-5876. The Non-Major Component Units are:

The California Alternative Energy and Advanced Transportation Financing Authority, which provides financing for alternative energy and advanced transportation technologies;

The California Infrastructure and Economic Development Bank, which provides financing for business development and public improvements (Effective January 1, 1999 the California Economic Development Financing Authority merged with the California Infrastructure and Economic Development Bank.);

The California Pollution Control Financing Authority, which provides financing for pollution control facilities;

The California Health Facilities Financing Authority, which provides financing for the construction, equipping, or acquiring of health facilities;

The California Educational Facilities Authority, which issues revenue bonds to finance loans for students attending both public and private colleges and universities and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities;

The *California School Finance Authority*, which provides loans to school and community college districts to assist in obtaining equipment and facilities;

The *District Agricultural Associations*, which exhibit all of the industries, industrial enterprises, resources, and products of the state;

The *San Joaquin River Conservancy*, which was created to acquire and manage public lands within the San Joaquin River Parkway; and

The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

A joint venture is an entity, resulting from a contractual arrangement, that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture with the Capitol Area Development Authority (CADA). The CADA was created in 1978 by the Joint Exercise of Powers Agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. The CADA is a public entity, separate from the primary government and the City, and is administered by a board of five members: two appointed by the primary government, two appointed by the City, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in the CADA, it does have an ongoing financial interest. Based upon the appointment authority, the primary government has the ability to indirectly influence the CADA to undertake special projects for the citizenry of the participants. The primary government subsidizes the CADA's operations by leasing land to the CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2000, the CADA had total assets of \$14.4 million, total liabilities of \$8.5 million, and reserved and unreserved retained earnings of \$0.1 million and \$4.7 million, respectively. Total revenues for the fiscal year were \$5.7 million and expenses were \$5.5 million, resulting in a net income of \$0.2 million. Since the primary government does not have an equity interest in the CADA, the CADA's financial information is not included in the financial statements of this report. Separately

issued financial statements can be obtained from the Capitol Area Development Authority, 1530 Capitol Avenue, Sacramento, California 95814.

Effective November 1, 1997, the University of California, San Francisco (UCSF) Medical Center (a portion of a discretely presented component unit) and Stanford Health Services, which manages and operates Stanford University's medical center, merged through the formation of UCSF Stanford Health Care, a separate non-profit corporation (the Corporation). The Corporation was governed by a seventeen member Board of Directors consisting of representatives from both universities, selected officers of the new corporation, and three independent directors. The primary purpose of the Corporation was to support, benefit, and further the charitable, scientific, and educational purposes of the Schools of Medicine at UCSF and Stanford. The affiliation between the UC and Stanford University creating the Corporation was terminated on March 31, 2000. Real and personal property leases between the UC and the Corporation were canceled. Most of the UC's share of the Corporation's net assets was distributed to the UC on April 1, 2000.

In order to include the Corporation's financial activities in the UC's financial statements in a timely manner, the UC recorded the proportional share of the Corporation's operating results based upon a fiscal period beginning June 1st and ending May 31st of each year. For the current fiscal year, operating results were included through March 31, 2000, the date of dissolution. The Corporation's operating results for the ten month period ending March 31, 2000 are revenues of \$1.5 billion with an operating loss, net of investment gains, of \$117 million. The Corporation's financial position at March 31, 2000 resulted in assets of \$1.7 billion and liabilities of \$894 million with a fund balance of \$765 million.

The Corporation's losses, according to the dissolution agreement, were generally allocated equally between the UC and Stanford University. After the distribution of \$679 million of net assets to the UC, the investment in UCSF Stanford Health Care was approximately \$15 million at June 30, 2000.

Distribution of the UC's final share of the net assets of the joint venture, represented by the remaining investment in the Corporation of \$15 million at June 30, 2000, is dependent upon the satisfactory completion of certain events specified in the dissolution agreement. Among these events is finalizing the audit of UCSF Stanford Health Care as of March 31, 2000. Management believes the eventual result of the audit will not have a material effect on the financial statements of the UC.

Information on the finances of the Corporation may be obtained from the University of California, Financial Management, 1111 Franklin Street, 10th Floor, Oakland, California 94607-5200.

The **Bay Area Toll Authority**, which is not part of the State's reporting entity, was created by the California Legislature in 1997 to administer the base \$2 toll on toll revenues collected from the San Francisco Bay Area's seven state-owned toll bridges and to have program oversight related to certain bridge construction projects. Additional information on the Bay Area Toll Authority may be obtained from the Metropolitan Transportation Commission, 101 Eighth Street, Oakland, California 94607.

B. Fund Accounting

The financial statements of the State are organized and operated on the basis of funds, account groups, and component units. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds. A component unit is an organization which is legally separate from the State but for which the State is financially accountable, or for which the nature and significance of its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete.

The financial activities of the State accounted for in the accompanying financial statements are classified as follows.

Governmental Fund Types are used primarily to account for services provided to the general public without charging directly for those services. The State has three governmental fund types.

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that do not need to be accounted for in another fund.

Special Revenue Funds account for transactions related to resources obtained from specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds account for transactions related to resources obtained and used to acquire or construct major capital facilities.

Proprietary Fund Types present financial data on activities that are similar to those found in the private sector. Users are charged

for the goods or services provided. For its proprietary funds, the State applies all applicable GASB pronouncements, pursuant to GASB Statement No. 20, as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless the FASB Statements and Interpretations conflict with or contradict GASB pronouncements. However, with one exception, the State has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The exception is Prison Industries, an internal service fund, which has elected to follow FASB pronouncements issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State has two proprietary fund types.

Enterprise Funds account for goods or services provided to the general public on a continuing basis when (1) the State intends that all or most of the cost involved is to be financed by user charges, or (2) periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Internal Service Funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Fiduciary Fund Types are used to account for assets held by the State. The State acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. The State has four fiduciary fund types.

Expendable Trust Funds account for assets held in a trustee capacity when principal, income, and earnings on principal may be expended in the course of a fund's designated operations.

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the retirement systems.

Agency Funds account for assets held by the State, which acts as an agent for individuals, private organizations, other governments, or other funds. They are custodial in nature and do not measure the results of operations.

The *Investment Trust Fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Account Groups are used to establish control over and accountability for the government's general fixed assets and general long-term obligations. The State has two account groups.

The *General Fixed Assets Account Group* accounts for governmental fixed assets not reported in a proprietary fund or a trust fund.

The *General Long-Term Obligations Account Group* accounts for unmatured general obligation bonds and other long-term obligations generally expected to be financed from governmental funds.

Discretely Presented Component Units are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the primary government. The discretely presented component units are classified as the University of California and as special purpose authorities. The University of California's financial statements are prepared in conformity with GAAP using the American Institute of Certified Public Accountants College and University Audit Guide model. As a result, the University of California's activities are accounted for in the following funds: Current Funds; Loan Funds; Endowment and Similar Funds; Plant Funds; Agency Funds; and Retirement System Funds. Special purpose authorities account for their activities as enterprise funds.

**C. Measurement Focus
and Basis of
Accounting**

Governmental Fund Types and **Expendable Trust Funds** are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unreserved fund balance is a measure of available spendable resources.

The accounts of the governmental fund types and expendable trust funds are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and bank and corporation taxes), as sales are made (consumption and use taxes), and as the taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. Other revenue sources are recorded when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months.

Compensated absences are accounted for on a modified accrual basis of accounting. Except for expenditures in the General Fund for earned leave of academic-year faculty, compensated absences expenditures are not accrued since it is not anticipated that compensated absences will be used in excess of a normal year's accumulation.

Agency Funds are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the modified accrual basis of accounting.

Proprietary Fund Types, the **Investment Trust Fund**, and **Pension Trust Funds** are accounted for on the flow of economic resources measurement focus.

The accounts of the proprietary fund types, the investment trust fund, and pension trust funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Lottery revenue and the related prize expense are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

For purposes of the statement of cash flows, all cash and pooled investments in the State Treasurer's pooled investment program are considered to be cash and cash equivalents.

Discretely Presented Component Units, which are classified as the University of California and special purpose authorities, are accounted for on the flow of current resources and flow of economic resources measurement focus, respectively. All use the full accrual basis of accounting.

D. Food Stamps

The distribution of food stamp benefits is recognized as revenue and expenditures in a special revenue fund, as required by GAAP. Revenue and expenditures are recognized when the benefits are distributed to the recipients. Food stamp balances held by the counties are reported as an asset and offset by deferred revenue. Revenues, expenditures, and balances of food stamp benefits are measured based on face value.

E. Inventories

Inventories are primarily stated at either the lower of average cost or market, or at cost utilizing the weighted average valuation method. In governmental fund types, inventories are recorded as expenditures when purchased. In proprietary fund types, inventories are expensed when consumed.

The discretely presented component units have inventory policies similar to the primary government's.

**F. Net Investment in
Direct Financing
Leases**

The State Public Works Board, an agency that accounts for its activities as an enterprise fund, has entered into lease-purchase agreements with various other primary government agencies, the University of California, and certain local agencies. The payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the construction of facilities and energy efficiency projects. Upon expiration of these leases, jurisdiction of the facilities and projects will be with the primary government agency, University of California, or local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments.

G. Deferred Charges

The deferred charges account primarily represents operating and maintenance costs and unrecovered capital costs in the enterprise fund type that will be recognized as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as deferred charges. These charges are recognized when billed in future years under the terms of water supply contracts.

H. Fixed Assets

The **General Fixed Assets Account Group** includes capital assets that are not assets of any specific fund, but rather of the primary government as a whole. Most of these assets arise from the expenditure of the financial resources of governmental funds and expendable trust funds used to acquire or construct them. The General Fixed Assets Account Group does not include fixed assets of proprietary funds or pension trust funds. These fixed assets are accounted for in their respective funds.

The General Fixed Assets Account Group is presented in the financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, public domain or "infrastructure" fixed assets are not capitalized. Accumulated depreciation is not recorded in the General Fixed Assets Account Group. Purchased fixed assets are stated at historical cost. Tangible and intangible property are capitalized if the property has a normal useful life of at least one year and an acquisition cost of at least \$5,000.

Proprietary Fund Type fixed assets, consisting of property, plant, and equipment, are stated at cost at the date of acquisition, less accumulated depreciation. They are depreciated over their estimated useful or service lives, ranging from two to 100 years, using the straight-line method of depreciation. Dormitory facilities, which represent 17.3% of the fixed assets of the enterprise funds, are not depreciated.

The fixed assets of the **discretely presented component units** are stated at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Depreciation on the majority of the fixed assets of the discretely presented component units is not recorded, which is consistent with GAAP.

**I. Long-Term
Obligations**

The primary government reports long-term obligations of governmental funds in the General Long-Term Obligations Account Group. Long-term obligations consist of certain unmatured general obligation bonds, certain unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, the net pension obligation of the pension trust funds, the liability for employees' compensated absences and workers' compensation claims, amounts owed for lawsuits, and the primary government's share of the University of California pension liability.

With approval in advance from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, the building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of the building authorities, which are included in capital projects funds, the liability for revenue bonds is recorded in the respective fund.

**J. Compensated
Absences**

In the governmental funds, only the amounts of compensated absences that normally would be liquidated with expendable available financial resources are accrued at year end, such as costs of academic-year faculty. The costs of the academic-year faculty represent services rendered over a ten-month period that are paid over a 12-month period. The balance of the amounts owed for services rendered is reported as a current liability in the General Fund. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional liabilities are accrued. As a result, the unpaid liability for governmental funds is recorded in the General Long-Term Obligations Account Group. Accumulated sick-leave balances are not included in the compensated absences because they do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued when incurred in proprietary funds. In the discretely presented component units, the compensated absences are accounted for in a similar manner as the proprietary funds in the primary government.

K. Fund Equity

Fund equity accounts present the difference between assets and liabilities of a fund. The fund equity accounts consist of *contributed capital* and *retained earnings* for proprietary funds and certain component units, *investment in general fixed assets* for the General Fixed Assets Account Group and certain component units, and *fund balance* for governmental funds, trust funds, and certain component units.

Contributed capital is the permanent fund capital of a proprietary fund. Contributed capital is created when a residual equity transfer is received by a proprietary fund, when a general fixed asset is "transferred" to a proprietary fund, or when a grant is received that is externally restricted to capital acquisition or construction.

Retained earnings are divided into two sections: *reserved for regulatory requirements* and *unreserved*. The reserved for regulatory requirements represents a segregation of the retained earnings in enterprise funds and certain component units for amounts that are unavailable for general use as a result of specific legal requirements. Unreserved retained earnings represent the accumulated earnings of proprietary funds and certain component units that are not reserved for any specific purpose.

The fund balances for governmental funds and trust funds are divided into two sections: *reserved* and *unreserved-undesignated*. Part or all of the total fund balance may be reserved as a result of law or generally accepted accounting principles. Reserves represent those portions of the fund balances that are legally segregated for specific uses. The reserves of the fund balance for governmental funds, trust funds, and certain component units are as follows:

Reserved for encumbrances represents goods and services that are ordered, but not received, by the end of the year.

Reserved for local agencies represents amounts held on behalf of local governments and local public agencies in the Local Agency Investment Fund, an investment trust fund.

Reserved for advances and loans receivable represents advances to other funds and the non-current portion of loans receivable that do not represent expendable available financial resources.

Reserved for employees' pension benefits represents reserves of the pension trust funds and the University of California, a discretely presented component unit. These reserves include accumulated contributions made by employees and employers, and undistributed interest and investment earnings.

Reserved for continuing appropriations represents the unencumbered balance of all appropriations for which the period of availability extends beyond the period covered by this report. These appropriations are legally segregated for a specific future use.

Reserved for other specific purposes includes amounts of the University of California, a discretely presented component unit, that are not available for future appropriations other than those for which the fund was established.

The *unreserved-undesignated* amounts represent the net of total fund balance, less reserves, for governmental funds, trust and agency funds, and certain component units.

Investment in general fixed assets represents the fixed assets of the governmental funds and expendable trust funds reported in the General Fixed Assets Account Group and the fixed assets of the University of California, a discretely presented component unit, that are restricted for specific purposes.

**L. Restatement of
Beginning Fund
Equity**

The beginning balance in retained earnings of the discretely presented component units—special purpose authorities has been increased by \$401 thousand as a result of errors made in the prior year financial statements.

M. Guaranty Deposits

The State is custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

**N. Memorandum Only
Total Columns**

Total columns captioned "memorandum only" do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2.

BUDGETARY AND LEGAL COMPLIANCE

**A. Budgeting and
Budgetary Control**

The State's annual budget is prepared primarily on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues; however, revenues are not included in the budget adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control at the appropriation level for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders by the Governor.

Amendments to the initial budget for the year ended June 30 were legally made, and are included in the budget data in the financial statements. The amendments had the effect of increasing spending authority and expenditures for the year.

Two legislative bills were not passed by August 31, 2000, the last day of the legislative session, that were intended to increase the appropriation authority of previously enacted legislation. Departments with deficiency funding requests in these bills, totaling approximately \$808 million, have paid and will pay the claims related to past year deficiencies by using the following methods: (1) California Medical Assistance Program claims have been paid as required by the federal Medicaid Act, Title 42, United States Code section 1396a(a)(37), which states that the State plan for medical assistance must – “provide for claims payment procedures which (A) ensure that 90 per centum of claims for payment (for which no further written information or substantiation is required in order to make payment) made for services covered under the plan and furnished by health care practitioners through individual or group practices or through shared health facilities are paid within 30 days of the date of receipt of such claims and that 99 per centum of such claims are paid within 90 days of the date of receipt of such claims...;” (2) Payroll deficiencies have been paid as required by the federal Fair Labor Standards Act, Title 29, United States Code section 206(b), which states, in part, that “Every employer shall pay each of his employees...not less than the minimum wage in effect...;” (3) Departments will wait to receive an allocation from the new deficiency bill, which the legislative leadership has committed to passing when the new session resumes, prior to making any payments; (4) Departments with immediate funding needs of approximately \$142 million have been authorized by the Department of Finance to either increase, or establish, Office Revolving Funds in sufficient amounts to pay claims related to the deficiencies included in the deficiency bills. In all cases, valid amounts related to these deficiencies are included as expenditures in this report.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period when the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

Individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year goods and services are received. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Non-GAAP Budgetary Basis – Budget and Actual includes all the current year expenditures for governmental cost funds and their related appropriations that are legislatively authorized annually, continually, or by project. On a budgetary basis, adjustments for encumbrances are budgeted under other general government, while the encumbrances relate to all programs' expenditures. Negative budget and expenditure amounts for other general government can result when current encumbrances are significantly higher than prior year encumbrances.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary depending on the presentation and wording contained in the Budget Act. Certain items that are established at the category, program, component, or element levels can be adjusted by the Department of Finance. For example, an appropriation for support may have detail accounts for personal services, operating expenses and equipment, and reimbursements. The Department of Finance can authorize adjustments between the detail accounts, but can not increase the amount of the overall support appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control, or the extent to which management may amend the budget without seeking approval of the governing body, has been established in the Budget Act at the appropriation level for the annual operating budget.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Non-GAAP Budgetary Basis – Budget and Actual

is not presented in this document at the legal level of budgetary control, as such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the *Budgetary/Legal Basis Annual Report Supplement*, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with GASB's Codification of Governmental Accounting and Financial Reporting Standards Section 2400.112. The Statement of Appropriations, Expenditures, and Balances and the Comparative Statement of Actual and Budgeted Expenditures include the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of this report is available from the State Controller's Office, Division of Accounting and Reporting, P.O. Box 942850, Sacramento, California 94250-5876.

**C. Reconciliation of
Budgetary Basis with
GAAP Basis**

The State annually reports its financial condition based on GAAP (GAAP basis) and on the State's budgetary provisions (budgetary basis). The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Non-GAAP Budgetary Basis - Budget and Actual is compiled on the budgetary basis. The differences between budgetary basis fund balances and the fund equity prepared in accordance with GAAP are explained and reconciled in the following paragraphs and Table 1.

The beginning fund balance on the budgetary basis is restated for "prior year revenue adjustments" and "prior year expenditure adjustments." A prior year revenue adjustment occurs when the actual amount received in the current year differs from the prior year accrual of revenues. A prior year expenditure adjustment results when the actual amount paid in the current year differs from the prior year accrual for appropriations whose ability to encumber funds has lapsed in previous periods. The beginning fund balance on a GAAP basis is not affected by this adjustment.

Perspective Difference

Fund classification: On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds consist of the General Fund and other governmental cost funds into which revenues from taxes, licenses, and fees that support the general operations of the State are deposited. The nongovernmental cost funds are not subject to annual appropriated budgets and consist of funds into which monies derived from sources other than general and special taxes, licenses, fees, or other state revenues are deposited. On a GAAP basis, the financial information is classified as governmental, proprietary, or fiduciary funds, or as component units.

Basis Difference

Advances and loans receivable: Loans made to other funds or to other governments are normally recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The General Fund had education loans outstanding as of June 30, 2000, of \$450 million, which will be forgiven and charged to expenditures in the year of appropriation on a budgetary basis. On a GAAP basis, these education loans were charged to expenditures for the year ended June 30, 1996, the year that the agreement was made to forgive the loans. The adjustments related to advances and loans caused a decrease to the fund equity of \$412 million in the General Fund and an increase to the fund equity of \$1.7 billion in special revenue funds, \$341 million in enterprise funds, and \$579 million in trust and agency funds.

Escheat property: A liability for the estimated amount of escheat property ultimately expected to be reclaimed and paid is not reported on a budgetary basis, while it is required to be reported on a GAAP basis. This adjustment caused a \$509 million decrease to the General Fund balance.

Authorized and unissued bonds: General obligation bonds that are not self-liquidating are recorded as additions to the fund balance for the special revenue and capital projects funds on the budgetary basis when voters authorize the sale of bonds. However, in accordance with GAAP, only the bonds issued during the year are recorded as additions to the fund balance. The adjustments related to authorized and unissued bonds caused a decrease to fund balance of \$10.8 billion in special revenue funds and \$438 million in capital projects funds.

Provision for long-term obligations: On the budgetary basis, a provision for long-term obligations is used to offset certain bonds payable. However, in accordance with GAAP, this account is not used for enterprise funds. This adjustment caused a \$2.8 billion decrease to the enterprise fund equity.

Encumbrances: The State does not record certain encumbrances on a budgetary basis that are recorded on a GAAP basis. The adjustments related to encumbrances caused an increase to the fund balance of \$526 million in special revenue funds.

Fixed assets: For certain enterprise programs, the budgetary basis uses the modified accrual basis of accounting for fixed assets, which expenses fixed asset costs. In accordance with GAAP, fixed assets for enterprise funds should be capitalized and depreciated using the accrual basis of accounting. This adjustment caused a \$1.5 billion increase to the enterprise fund equity.

Fund balances in agency funds: Fund balances are reported in agency funds on the budgetary basis. In accordance with GAAP, agency funds do not have a fund balance since they account for assets held solely in a custodial capacity. Accordingly, assets in agency funds are always matched with liabilities. This adjustment caused a \$26.1 billion decrease to the agency fund balance.

California accounting practices for insurance: The financial statements of the State Compensation Insurance Fund (SCIF) on a budgetary basis are prepared in conformity with accounting practices prescribed by the Department of Insurance of the State of California. The principal differences between this method and GAAP are that investments are carried at amortized cost rather than fair value and policy acquisition costs are charged to current operations rather than being deferred. This adjustment caused a \$141 million decrease to the discretely presented component units fund equity.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase in fund equity of \$31 million in the General Fund, \$29 million in capital projects funds, and \$2 million in component units and a decrease in fund equity of \$43 million in special revenue funds, \$101 million in enterprise funds, \$31 million in internal service funds, and \$145 million in trust and agency funds.

Timing Difference

Liabilities budgeted in subsequent years: The primary government does not, on a budgetary basis, accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused a net decrease to the fund balance of \$383 million in the General Fund and \$127 million in special revenue funds.

Entity Difference

Entities not included in the State's accounting system: A fund for the trial courts in the special revenue funds and some discretely presented component units are not included in the budgetary basis accounting system, but are included on a GAAP basis. These adjustments caused an increase to the fund equity of \$211 million in the special revenue funds and \$72.5 billion in component units, of which \$72.2 billion is related to the University of California.

Table 1

Reconciliation of Budgetary Basis Fund Balance and GAAP Basis Fund Equity

June 30, 2000

(Amounts in thousands)

	Total Budgetary Fund Classifications	Primary Government						Component Units
		Governmental Fund Types			Proprietary Fund Types		Fiduciary	
		General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	
Perspective Difference								
Budgetary / Legal Basis Annual Report								
General Fund	\$ 9,639,691	\$ 9,639,691	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other Governmental Cost Funds	6,472,245	—	6,256,269	60,182	18	13,729	142,047	—
Non-Governmental Cost Funds	355,787,597	—	11,216,273	535,569	4,652,210	571,668	336,084,804	2,727,073
Total Budgetary Fund Balances								
Reclassified into GAAP Statement								
Fund Structure	<u>\$ 371,899,533</u>	<u>9,639,691</u>	<u>17,472,542</u>	<u>595,751</u>	<u>4,652,228</u>	<u>585,397</u>	<u>336,226,851</u>	<u>2,727,073</u>
Basis Difference								
Advances and loans receivable		(412,385)	1,703,262	—	341,463	—	578,926	—
Escheat property		(508,785)	—	—	—	—	—	—
Authorized and unissued bonds		—	(10,812,281)	(438,108)	—	—	—	—
Provision for long-term obligations		—	—	—	(2,807,177)	—	—	—
Encumbrances		—	526,411	—	—	—	—	—
Fixed assets		—	—	—	1,489,812	—	—	—
Fund balances in agency funds		—	—	—	—	—	(26,056,075)	—
California accounting practices for insurance		—	—	—	—	—	—	(140,561)
Other		31,363	(42,513)	29,199	(101,114)	(30,656)	(145,411)	1,735
Timing Difference								
Liabilities budgeted in subsequent years		(382,564)	(127,073)	—	—	—	—	—
Entity Difference								
Entities not included in the State's accounting system		—	210,614	—	—	—	—	72,525,390
GAAP Fund Equity, June 30, 2000	\$ 8,367,320	\$ 8,367,320	\$ 8,930,962	\$ 186,842	\$ 3,575,212	\$ 554,741	\$ 310,604,291	\$ 75,113,637

NOTE 3.

DEPOSITS AND INVESTMENTS

As required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the State reports investments at fair value.

State statutes authorize investments in certain types of securities. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). There is a single portfolio of investments with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner as described below. In addition, certain programs have the authority to separately invest their funds.

The State's pooled investment program and certain other programs of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to have investments in United States government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments.

The State Treasurer's Office administers a pooled investment program for the primary government and for certain special purpose authorities. As of June 30, the special purpose authorities' cash and pooled investments were approximately 3% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. The State Treasurer's Office maintains cash deposits with certain banks that do not earn interest income. Income earned on these deposits compensates the banks for services and uncleared checks that are deposited in the pooled investment program's accounts.

All demand and time deposits, totaling approximately \$4.4 billion, which were held by financial institutions as of June 30, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or by an agent of the State Treasurer's Office in the State's name. The California Government Code requires collateral pledged for demand and time deposits to be deposited with the State Treasurer.

As of June 30, the State Treasurer's Office had amounts on deposit with fiscal agents totaling \$10 million. Approximately \$2 million of

these deposits is related to principal and interest payments due to bondholders. The remaining \$8 million represents a compensating balance account designed to provide sufficient earnings to cover fees for custodial services and system maintenance. Most of these deposits are insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

The State Treasurer's Office reports its investments at fair value. The fair value of all securities in the State Treasurer's Office pooled investment program is based on quoted market prices. As of June 30, the average remaining life of the securities in the pooled money investment program administered by the State Treasurer's Office was approximately 205 days.

The Pooled Money Investment Board provides regulatory oversight over the State Treasurer's pooled investment program. The purpose of the Board is to design an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested consistent with the goals of safety, liquidity, and yield. The Pooled Money Investment Board is comprised of the State Treasurer, as chair; the State Controller; and the Director of Finance. This Board designates the amounts of temporarily idle money available for investment. The State Treasurer is charged with making the actual investment transactions for this investment program. This program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits of the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2000, this difference was immaterial to the valuation of the program. The pool is run with a "dollar-in, dollar-out" participation. There are no share value adjustments to reflect changes in fair value.

Certain funds have elected to participate in the pooled money investment program, even though they have the authority to make their own investments. Others may be required by legislation to participate in the program. As a result, the deposits of these funds or accounts may be considered involuntary. However, they are part of the State's reporting entity. The remaining participation in the pool, the Local Agency Investment Fund, is all voluntary.

Certain funds, which have deposits in the State Treasurer's pooled investment program, do not receive the interest earnings on their deposits. The earnings on the investments related to those funds

are legally required to be assigned to the State's General Fund. A major portion of the \$472 million interest revenue received by the General Fund from the pooled money investment program comes from these funds.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants on a quarterly basis based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Since the total difference between the fair values of the investments in the pool and the values distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements.

The State Treasurer's Office reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

The fair value, the ranges of interest rates, and the maturity dates of each major investment classification in the State Treasurer's pooled investment program are summarized in Table 4.

Tables 2 and 3 present summary financial statements of the Local Agency Investment Fund (LAIF), an Investment Trust Fund.

Table 2**Condensed Statement of Net Assets – LAIF**

June 30, 2000

(Amounts in thousands)

Assets	
Cash and pooled investments	\$ 12,530,983
Due from other funds	199,078
Total Assets	\$ 12,730,061
Liabilities	
Due to other funds	\$ 559
Due to other governments	198,519
Other liabilities	2,595
Total liabilities	201,673
Net Assets Held in Trust for Pool Participants	\$ 12,528,388

Table 3**Condensed Statement of Changes in Net Assets – LAIF**

Year Ended June 30, 2000

(Amounts in thousands)

Changes in Net Assets Resulting from Operations	\$ 732,389
Distributions to Participants	(732,389)
Changes in Net Assets Resulting from Depositor Transactions	(1,626,436)
Total Change in Net Assets	(1,626,436)
Net Assets Held in Trust for Pool Participants, July 1, 1999	14,154,824
Net Assets Held in Trust for Pool Participants, June 30, 2000	\$ 12,528,388

As of June 30, floating rate notes and mortgage-backed assets comprised less than 6.3% of the pooled investments. For the floating rate notes in the portfolio, the interest received by the State Treasurer's pooled investment program will rise or fall as the underlying index rate rises or falls. The structure of the floating rate notes in the State Treasurer's pooled investment program portfolio is such that it hedges the portfolio against the risk of increasing interest rates. The mortgage-backed securities are called real estate mortgage investment conduits (REMICs). A REMIC is a security backed by a pool of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule.

The California Government Code allows the State Treasurer's Office to enter into reverse repurchase agreements as part of its pooled investment program. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin

against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the State Treasurer's Office or provide securities or cash of equal value, the State Treasurer's pooled investment program will suffer an economic loss equal to the difference between the market value plus the accrued interest of the underlying securities and the agreement obligation, including accrued interest. During the year ended June 30, the State Treasurer's Office entered into 64 reverse repurchase agreements by temporarily selling investments with a carrying value of approximately \$6.1 billion. The maturities of investments made with the proceeds from reverse repurchase agreements were matched to the maturities of the agreements. As of June 30, the State Treasurer's Office did not have any reverse repurchase agreements outstanding.

The California Government Code allows the State Treasurer's Office to enter into repurchase agreements as part of its pooled investment program. A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by the State Treasurer's Office from a bank or dealer. The other is a commitment by the bank or dealer to repurchase the securities from the State Treasurer's Office at the same price, plus interest, at a mutually agreed upon future date. As the investor, the State is protected by underlying specific government securities, which are pledged as collateral during the length of the investment. During the year ended June 30, the State Treasurer's Office entered into 17 repurchase agreements, with a carrying value of approximately \$2.3 billion. As of June 30, the State Treasurer's Office did not have any repurchase agreements outstanding.

Enterprise funds, internal service funds, trust and agency funds, a special revenue fund, and a building authority in the capital projects funds also make separate investments, which are presented at fair value. The California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) had \$315.4 billion (97%) of these separately invested funds.

CalPERS and CalSTRS exercise their authority under the State Constitution to invest in stocks, bonds, mortgages, real estate, and other investments.

The fair value of CalPERS' investments in securities is generally based on published market prices and quotations from major investment firms. Many factors are considered in arriving at fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock, less an appropriate discount.

CalPERS' mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, is estimated based on independent appraisals. Short-term investments are reported at market value, when available, or at cost plus accrued interest, which approximates market value when market values are not available. For investments where no readily ascertainable market value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments.

Under the State Constitution and statutory provisions governing CalPERS investment authority, CalPERS, through its outside investment managers, holds investments in futures and options and enters into forward foreign currency exchange contracts. Futures and options of approximately \$1 million were held for investment purposes as of June 30, 2000. Gains and losses on futures and options are determined based upon quoted market values and recorded in the statement of changes in net assets. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign securities. As of June 30, 2000, CalPERS had approximately \$228 million net exposure to loss from forward foreign currency exchange transactions related to the \$41.2 billion international debt and equity portfolios. CalPERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. CalPERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. CalPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts.

The fair value of investments for CalSTRS is generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, management computes fair value based on market yields and average maturity dates of comparable quoted securities. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair value represents the most recent appraisals. Short-term investments are reported at cost, or amortized cost, which approximates fair value.

Purchases and sales of debt securities, equity securities, and short term investments by CalSTRS are recorded on the trade date. Real estate equity transactions are recorded on the settlement date.

The State Constitution, state statutes, and agency policies permit CalPERS and CalSTRS to lend their securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Third party securities lending agents have been contracted to lend domestic and international equity and debt securities. All securities loans can be terminated on demand by the lender or the borrower. Collateral, in the form of cash or other securities, is required at 102% and 104% for CalPERS and at 102% and 105% for CalSTRS of the fair value of domestic and international securities loaned, respectively. As of June 30, 2000, there was no credit risk of exposure to borrowers because the amount of collateral held exceeded the amounts owed to the borrowers. Collateral securities received are not permitted to be pledged or sold unless the borrower defaults. The contracts with the securities lending agents require them to indemnify CalPERS and CalSTRS if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay for income distributions by the securities' issuers while the securities are on loan.

For CalPERS, the average term of the overall loans managed by its two securities lending agents was 20 days and 39 days, respectively. In accordance with CalPERS investment guidelines, the cash collateral was invested in short-term investment funds that at June 30, 2000, had weighted average maturities of 142 days and 91 days for its two securities lending agents, respectively.

For CalSTRS, cash collateral received on each security loan was invested in short-term investments that at June 30, 2000, had a weighted-average maturity of less than 90 days.

As of June 30, the State, including discretely presented component units, had investments in securities lending agreements, real estate, investment contracts, mutual funds, and other investments totaling \$77.1 billion. These investments are not subject to classification. All remaining investments reported as of June 30 are categorized in three categories of credit risk:

1. Insured or registered, or securities held by the State or its agent in the State's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or by an agent in the State's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or by an agent but not in the State's name.

The types of investments reported at year end are representative of the types of investments made during the year. Furthermore, the credit risk associated with the investments reported at year end is

representative of the credit risk associated with investments made during the year.

Table 4 presents the risk categories of the primary government as of June 30.

Table 4**Schedule of Investments - Primary Government**

June 30, 2000

(Amounts in thousands)

	Interest Rates*	Maturity	Category			Total Fair Value
			1	2	3	
Pooled Investments **						
U.S. government securities	4.55 – 6.81	1 day – 5 years+	\$ 15,265,839	\$ —	\$ —	\$ 15,265,839
Negotiable certificates of deposit ...	5.21 – 6.73	1 day – 2 years	7,212,186	—	—	7,212,186
Bankers' acceptances	5.16 – 6.63	1 day – 30 days	37,095	—	—	37,095
Commercial paper	5.11 – 6.59	1 day – 180 days	10,533,376	—	—	10,533,376
Corporate bonds	6.19 – 7.25	1 day – 5 years	2,464,665	—	—	2,464,665
Bank notes	5.21 – 6.73	1 day – 2 years	1,917,956	—	—	1,917,956
Total Pooled Investments			37,431,117	—	—	37,431,117
Separately Invested Funds Subject to Categorization						
Equity securities			165,673,867	—	—	165,673,867
Securities lending collateral			30,550,543	—	—	30,550,543
Mortgage loans and notes			17,595,192	—	—	17,595,192
U.S. government and agencies			3,492,580	224,594	—	3,717,174
Debt securities – STRS			41,670,178	—	—	41,670,178
Corporate bonds			9,883	98,226	—	108,109
Commercial paper			2,148,094	—	—	2,148,094
Other investments			844,606	—	—	844,606
Total Separately Invested Funds Subject To Categorization			261,984,943	322,820	—	262,307,763
Separately Invested Funds Not Subject to Categorization						
Investments held by broker-dealers under securities						
loans with cash collateral						30,676,934
Real estate						12,866,242
Venture capital and private equity funds						7,138,749
Investment contracts						3,008,196
Mutual funds						2,477,204
Mortgage loans						242,031
Other						6,735,069
Total Separately Invested Funds Not Subject to Categorization						63,144,425
Total Investments			\$ 299,416,060	\$ 322,820	\$ —	\$ 362,883,305

* These interest rates represent high and low monthly averages for each investment type during the year.

** Approximately 3% of the pooled investments are investments of special purpose authorities which are discretely presented component units.

For special purpose authorities' separately invested funds, see Table 6.

The investments of the University of California, a discretely presented component unit, are stated at fair value. All of the University's investments recorded in each fund group are associated with the University of California Retirement System (UCRS), General Endowment Pool (GEP), High Income Pool (HIP), or Short Term

Investment Pool (STIP) or are separately invested. Investments authorized by the Regents for the UCRS, GEP, HIP, and other separate investments include equities and fixed income securities. The University's investment portfolio includes certain mortgage backed securities. These mortgage backed securities are used to diversify the portfolio and reduce market risk exposure. The equity portion of the investment portfolio may include both domestic and foreign common and preferred stocks, along with alternative equities. Alternative equities include venture capital partnerships, buy-out funds, and emerging market funds. Where donor agreements place constraints on allowable investments, assets associated with endowment and similar funds are invested in accordance with the terms of the agreements. Investments authorized by the Regents for the STIP include fixed income securities with a maximum maturity of five years. In addition, the Regents have also authorized loans with terms up to 30 years, primarily to faculty members, under the University's Mortgage Origination Program.

The GEP and HIP are balanced portfolios in which a large number of individual endowment funds participate in order to benefit from diversification and economies of scale. The net assets of the endowment and similar funds group are invested in either the GEP, HIP, or STIP or are separately invested. The separately invested funds cannot be pooled due to investment restrictions or income requirements. All of the University of California's fund groups participate in the STIP. Current funds to provide for the payroll, operating expenses, and construction expenditures of all campuses and medical centers are invested in the STIP until expended.

The UCRS contains funds associated with the University of California's defined benefit and defined contribution plans.

The University of California participates in a securities lending program as a means to augment income. Securities are lent to select brokerage firms for which collateral is received in excess of the fair value of such investments during the period of the loan. Collateral may be cash or securities issued by the U. S. Government or its agencies, or the sovereign or provincial debt of foreign countries. Any collateral securities cannot be pledged or sold by the University unless the borrower defaults. Loans of domestic equities and all fixed income securities are initially collateralized at 102% of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105%. All borrowers are required to provide additional collateral by the next business day if the value falls to less than 100% of the fair value of securities lent. The University receives interest and dividends during the loan period as well as a fee from the brokerage firm. Securities on loan for cash collateral are not considered to be categorized. As of June 30, the University

had no credit risk exposure to borrowers because the amounts the University owed the borrowers exceeded the amounts the borrowers owed the University. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

Securities loans immediately terminate upon notice by either the University or the borrower. Cash collateral is invested by the University's lending agent, as an agent for the University, in a short term investment pool in the University's name with guidelines approved by the Treasurer of the Regents. As of June 30, the securities in this pool had a weighted average maturity of 183 days. Table 5 presents risk categories of the University of California investments as of June 30.

Table 5**Schedule of Investments – University of California – Discretely Presented Component Unit**

June 30, 2000

(Amounts in thousands)

	Category			Total
	1	2	3	Fair Value
Separately Invested Funds Subject to Categorization				
Equity securities	\$ 30,183,430	\$ —	\$ —	\$ 30,183,430
Securities lending collateral	8,637,787	—	—	8,637,787
U .S . government and agency securities	6,091,822	—	—	6,091,822
Corporate bonds	9,173,871	—	—	9,173,871
Other investments	2,367,889	—	—	2,367,889
Total Separately Invested Funds Subject to Categorization	56,454,799	—	—	56,454,799
Separately Invested Funds Not Subject to Categorization				
Investments held by broker-dealers under securities loans				
with cash collateral				8,454,877
Venture capital and private equity funds				1,856,984
Insurance contracts				261,032
Mutual funds				1,692,318
Mortgage loans				300,085
Other investments				218,554
Total Separately Invested Funds Not Subject to Categorization				12,783,850
Total Investments	\$ 56,454,799	\$ —	\$ —	\$ 69,238,649

The cash and pooled investments of the special purpose authorities, which are discretely presented component units, are primarily invested in the State Treasurer's pooled investment program. Additionally, state law, bond resolutions, and investment policy resolutions allow the authorities to invest in United States government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, and other investments.

The California Housing Finance Agency (CHFA), a discretely presented component unit, entered into interest rate swap agreements to pay fixed rates of interest and receive floating rate payments. Certain swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled and/or anticipated reductions in the associated "Bonds Payable". The swap agreements are expected to reduce interest rate risk associated with variable rate bonds issued by CHFA. As of June 30, 2000, CHFA had interest rate swap agreements of \$609 million in notional amounts. The CHFA is potentially exposed to loss in the event the counterparties are unable to perform to the terms of the agreements. However, the CHFA does not anticipate nonperformance by the counterparties.

Table 6 presents the risk categories of the special purpose authorities' investments outside of the State Treasurer's pooled investment program, as of June 30, 2000. Included in the investments of the special purpose authorities are the investments of the SCIF as of December 31, 1999. The SCIF represents 81% of the fair value of the authorities' investments.

Table 6**Schedule of Investments – Special Purpose Authorities – Discretely Presented Component Units ***

June 30, 2000

(Amounts in thousands)

	Category			Total Fair Value
	1	2	3	
Separately Invested Funds Subject to Categorization				
U.S. government securities	\$ 1,609,459	\$ —	\$ —	\$ 1,609,459
Corporate bonds	2,993,962	—	—	2,993,962
Mortgage loans and notes	1,369,607	—	—	1,369,607
Commercial paper	8,113	—	—	8,113
Investment agreements	—	154,848	—	154,848
Other investments	126,304	—	—	126,304
Total Separately Invested Funds Subject to Categorization	6,107,445	154,848	—	6,262,293
Separately Invested Funds Not Subject to Categorization				
Investment agreements				1,166,211
Mutual funds				40,830
Total Separately Invested Funds Not Subject to Categorization				1,207,041
Total Investments	\$ 6,107,445	\$ 154,848	\$ —	\$ 7,469,334

* For special purpose authorities' pooled investments, see Table 4.

**NOTE 4. DUE FROM OTHER FUNDS, DUE TO OTHER FUNDS,
ADVANCES AND LOANS RECEIVABLE, ADVANCES FROM
OTHER FUNDS, DUE FROM PRIMARY GOVERNMENT,
AND DUE TO COMPONENT UNITS**

The balances of Due from Other Funds, Due to Other Funds, Advances and Loans Receivable, Advances from Other Funds, Due from Primary Government, and Due to Component Units are shown in Table 7. The total Advances and Loans Receivable of \$12.1 billion is more than the total Advances from Other Funds of \$870 million because \$11.2 billion of loans to other governmental entities and individuals are included in the loans receivable amounts.

Table 7

Schedule of Due from Other Funds, Due to Other Funds, Advances and Loans Receivable, Advances from Other Funds, Due from Primary Government, and Due to Component Units

June 30, 2000 (Amounts in thousands)

	Due from Other Funds	Due to Other Funds	Advances and Loans Receivable	Advances from Other Funds	Due from Primary Government	Due to Component Units
General Fund.....	\$ 6,225,774	\$ 2,456,218	\$ 287,306	\$ 508,785	\$ —	\$ 67,182
Special Revenue						
Federal	947,722	3,501,896	42,321	—	—	—
Transportation Construction	1,106,289	69,317	—	—	—	226
Transportation Safety	110,051	106,796	—	—	—	—
Business and Professions Regulatory and Licensing	87,769	71,312	4,280	—	—	—
Environmental and Natural Resources	205,133	157,498	1,619,831	51,520	—	—
Financing to Local Governments	39,010	19,176	—	—	—	—
Cigarette and Tobacco Tax	209,439	194,453	—	—	—	103,656
Local Revenue	244,225	28,722	—	—	—	—
Unemployment Programs	595,343	61,165	—	—	—	—
Financing to the Public	2,363	1,661	28,767	—	—	—
Trial Courts	85,013	56,800	8,063	3	—	—
Other Special Revenue	140,168	59,439	—	13,050	—	5,813
Total Special Revenue.....	3,772,525	4,328,235	1,703,262	64,573	—	109,695
Capital Projects						
Prison Construction	172	195	—	—	—	—
Higher Education Construction	1,914	5,586	—	—	—	—
Natural Resources Acquisition and Enhancement	13,307	243	—	—	—	—
Building Authorities	52,079	541	—	—	—	—
Other Capital Projects	400	3,458	—	—	—	—
Total Capital Projects.....	67,872	10,023	—	—	—	—
Enterprise						
Housing Loan	15,200	2,012	2,433,559	32,258	—	—
Water Resources	71,640	18,138	64,950	—	—	—
School Building Aid	—	—	136,222	—	—	—
Toll Facilities	4,081	9,067	2,887	—	—	—
California State University	25,628	18,718	—	—	—	—
Leasing of Public Assets	131,733	15,534	—	—	—	—
State Lottery	12,451	223,998	—	—	—	—
Health Facilities Construction Loan Insurance	4,510	159	80,197	—	—	—
Public Employees' Benefits	69	1,030	—	—	—	—
Other Enterprise	20,281	6,446	246,709	2,500	—	—
Total Enterprise.....	285,593	295,102	2,964,524	34,758	—	—
Internal Service						
Architecture Revolving	50,000	1,716	—	—	—	—
Service Revolving	92,561	135,458	—	—	—	—
Prison Industries	10,658	3,037	—	—	—	—
Stephen P. Teale Data Center	11,151	39	—	—	—	—
Health and Human Services Agency Data Center	73,966	3,000	—	—	—	—
Water Resources Revolving	40,551	—	—	94,517	—	—
Public Employees' Health Care	2,731	3,031	—	—	—	—
Equipment Service	1,249	9,206	—	—	—	—
Other Internal Service	109	5,382	—	4,280	—	—
Total Internal Service.....	282,976	160,869	—	98,797	—	—

(Continued)

Table 7 (continued)

Schedule of Due from Other Funds, Due to Other Funds, Advances and Loans Receivable, Advances from Other Funds, Due From Primary Government, and Due to Component Units

June 30, 2000 (Amounts in thousands)

	Due from Other Funds	Due to Other Funds	Advances and Loans Receivable	Advances from Other Funds	Due from Primary Government	Due to Component Units
Expendable Trust						
Unemployment	9,537	55,614	—	—	—	—
School Employees	1,081	5,672	—	—	—	—
Unemployment Compensation						
Disability	19,382	3,532	—	—	—	—
California State University and						
Colleges Trust	16,377	27,994	—	—	—	—
Student Loan	990	785	—	—	—	—
Housing Loan	3,391	1,614	578,926	—	—	—
Unclaimed Property	—	4,624	508,785	—	—	—
Deferred Compensation Plan	61	589	—	—	—	—
Other Expendable Trust	22,758	8,179	—	—	—	1,435
Total Expendable Trust	73,577	108,603	1,087,711	—	—	1,435
Pension Trust						
Public Employees' Retirement	3,852	123	—	—	—	—
State Teachers' Retirement	8,323	5,877	—	—	—	—
Judges' Retirement	—	24	—	—	—	—
Judges' Retirement II	—	11	—	—	—	—
Legislators' Retirement	—	49	—	—	—	—
Volunteer Firefighters'	—	14	—	—	—	—
Peace Officers/Firefighters'	—	33	—	—	—	—
Total Pension Trust	12,175	6,131	—	—	—	—
Agency						
Revenue Collecting and						
Disbursing	4,817,988	7,633,128	162,972	162,972	—	35
Deposit	23,365	648,870	885	—	—	—
Departmental Trust	3,178	225	—	—	—	—
Other Agency	283,974	400,112	—	—	—	2,848
Total Agency	5,128,505	8,682,335	163,857	162,972	—	2,883
Investment Trust						
Local Agency Investment	199,078	559	—	—	—	—
Total Investment Trust	199,078	559	—	—	—	—
University of California						
Current Funds	80	102,480	—	—	175,982	—
Loan Funds	—	2,000	—	—	—	—
Endowment and Similar Funds	23,542	—	—	—	—	—
Plant Funds	1,281	21,401	—	—	—	—
Retirement System Funds	100,978	—	—	—	—	—
Total University of California	125,881	125,881	—	—	175,982	—
Special Purpose Authorities						
California Housing Finance Agency	—	—	5,859,389	—	—	—
Non-Major Component Units	—	—	—	—	5,213	—
Total Special Purpose Authorities	—	—	5,859,389	—	5,213	—
Total	\$ 16,173,956	\$ 16,173,956	\$ 12,066,049	\$ 869,885	\$ 181,195	\$ 181,195

(Concluded)

NOTE 5.**RESTRICTED ASSETS**

Table 8 presents a summary of the legal restrictions on assets as of June 30. The restricted assets of the primary government are in the enterprise funds, except for \$2.3 million in the internal service funds and \$116 million for the building authorities in the capital projects funds.

Table 8**Schedule of Restricted Assets**

June 30, 2000

(Amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Funds	Other Assets
Primary Government				
Debt service	\$ 754,274	\$ 608,908	\$ 473	\$ 1,218
Construction	575,944	52,608	1,341	14
Deposits	5,238	—	—	—
Equipment repair and replacement	47,798	13	1,248	—
Operations	186	—	—	—
Other	39,616	—	—	—
Total Primary Government	1,423,056	661,529	3,062	1,232
Discretely Presented Component Units				
University of California				
Risk insurance	—	201,986	—	—
Debt service requirements	—	173,667	—	—
Plant acquisition, construction, and renovation	—	11,296	—	—
Plant renewal and replacement	—	467	—	—
Special Purpose Authorities				
Debt service	273,503	1,394,997	—	—
District fairs	20	—	—	—
Total Discretely Presented Component Units	273,523	1,782,413	—	—
Total All Restricted Assets	\$ 1,696,579	\$ 2,443,942	\$ 3,062	\$ 1,232

NOTE 6.**NET INVESTMENT IN DIRECT FINANCING LEASES**

The State Public Works Board, an agency that accounts for its activities as an enterprise fund, has entered into lease-purchase agreements with various other primary government agencies, the University of California, and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board.

The minimum lease payments to be received by the State Public Works Board for the primary government are summarized in Table 9.

Table 9**Schedule of Minimum Lease Payments to be Received by the State Public Works Board for the Primary Government**

(Amounts in thousands)

Year Ending June 30	Primary Government Agencies	University of California	Local Agencies	Total
2001	\$ 383,539	\$ 107,586	\$ 73,191	\$ 564,316
2002	376,382	105,987	70,548	552,917
2003	379,640	105,168	67,377	552,185
2004	376,100	105,263	69,542	550,905
2005	374,800	103,886	72,065	550,751
Thereafter	3,990,405	1,269,396	611,892	5,871,693
Total Minimum Lease Payments	5,880,866	1,797,286	964,615	8,642,767
Less unearned income	2,590,307	771,886	379,919	3,742,112
Net Investment in Direct Financing Leases	\$ 3,290,559	\$ 1,025,400	\$ 584,696	\$ 4,900,655

NOTE 7.**FIXED ASSETS**

Table 10 is a summary of changes in the General Fixed Assets Account Group for the year ended June 30. Included in the General Fixed Asset Account Group are fixed assets related to capital leases totaling \$3.7 billion.

Table 10**Schedule of Changes in General Fixed Assets**

(Amounts in thousands)

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Land.....	\$ 2,045,980	\$ 141,415	\$ 22,260	\$ 2,165,135
Structures and improvements.....	11,887,297	422,404	361,491	11,948,210
Equipment.....	1,956,469	315,550	122,031	2,149,988
Construction in progress....	1,555,781	404,094	667,734	1,292,141
Total.....	\$ 17,445,527	\$ 1,283,463	\$ 1,173,516	\$ 17,555,474

Table 11 summarizes the proprietary fund fixed assets of enterprise funds and internal service funds, and the fixed assets of the discretely presented component units as of June 30.

Table 11**Schedule of Fixed Assets for Proprietary Funds and Discretely Presented Component Units**

June 30, 2000

(Amounts in thousands)

	Enterprise Funds	Internal Service Funds
Primary Government		
State water projects.....	\$ 4,491,500	\$ —
Toll facilities.....	1,162,379	—
Other land, improvements, buildings and equipment.....	996,081	1,079,453
Construction in progress.....	239,497	4,079
Total Primary Government Fixed Assets.....	6,889,457	1,083,532
Less: accumulated depreciation.....	2,039,435	570,835
Net Primary Government Fixed Assets.....	\$ 4,850,022	\$ 512,697
	University of California	Special Purpose Authorities
Discretely Presented Component Units		
Real estate		
Buildings and improvements.....	\$ 9,695,699	\$ 515,008
Land.....	323,141	44,760
Furniture and equipment.....	3,457,341	159,350
Libraries and collections.....	2,445,332	—
Construction in progress.....	943,869	1,006
Total Discretely Presented Component Unit Fixed Assets.....	16,865,382	720,124
Less: accumulated depreciation.....	—	194,805
Net Discretely Presented Component Unit Fixed Assets..	\$ 16,865,382	\$ 525,319

NOTE 8.**LONG-TERM OBLIGATIONS**

As of June 30, the primary government had long-term obligations totaling \$25.8 billion. These obligations are not expected to be financed from current resources in the governmental funds. Long-term obligations consist of the liability for employees' compensated absences, certificates of participation and commercial paper, long-term capital lease obligations, unmatured general obligation bonds, unmatured revenue bonds, and other liabilities. The other liabilities consist of \$846 million for workers' compensation claims, \$746 million for net pension obligations, \$192 million owed for lawsuits, and the University of California pension liability of \$98 million. These other liabilities do not have any required payment schedules, or will be paid when funds are appropriated. Of the total long-term obligations outstanding, 95% will be paid by the General Fund and 5% by special revenue funds. The changes in the General Long-Term Obligations Account Group during the year ended June 30, 2000, are summarized in Table 12.

Table 12**Schedule of Changes in General Long-Term Obligations**

(Amounts in thousands)

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Compensated absences payable.....	\$ 1,057,903	\$ 632,503	\$ 462,757	\$ 1,227,649
Certificates of participation and commercial paper....	425,644	2,930,632	2,733,620	622,656
Capital lease obligations.....	3,440,203	82,350	114,763	3,407,790
General obligation bonds payable.....	16,167,030	2,751,350	1,080,090	17,838,290
Revenue bonds payable.....	810,300	49,600	16,050	843,850
Other liabilities.....	1,974,498	443,761	536,656	1,881,603
Totals.....	\$ 23,875,578	\$ 6,890,196	\$ 4,943,936	\$ 25,821,838

NOTE 9.**COMPENSATED ABSENCES**

As of June 30, the estimated liability for compensated absences related to accumulated vacation and annual leave totaled approximately \$1.8 billion. Of this amount, \$1.2 billion is reported in the General Long-Term Obligations Account Group, \$68 million is reported in the proprietary fund types, \$136 million is reported in the General Fund, and \$391 million is reported in the discretely presented component units.

NOTE 10.**CERTIFICATES OF PARTICIPATION**

Debt service requirements for certificates of participation, which are financed by lease payments from the special revenue funds and the General Fund, are shown in Table 13.

Table 13**Schedule of Debt Service Requirements for Certificates of Participation - Primary Government**

(Amounts in thousands)

Year Ending June 30	Principal	Interest	Total
2001	\$ 9,973	\$ 6,898	\$ 16,871
2002	9,780	6,525	16,305
2003	9,690	6,136	15,826
2004	9,610	5,727	15,337
2005	9,517	5,290	14,807
Thereafter	74,041	29,277	103,318
Total	\$ 122,611	\$ 59,853	\$ 182,464

Debt service requirements for certificates of participation for the University of California, a discretely presented component unit, are shown in Table 14.

Table 14**Schedule of Debt Service Requirements for Certificates of Participation - University of California - Discretely Presented Component Unit**

(Amounts in thousands)

Year Ending June 30	Principal	Interest	Total
2001	\$ 10,800	\$ 16,150	\$ 26,950
2002	10,045	15,692	25,737
2003	10,570	15,175	25,745
2004	11,205	14,482	25,687
2005	11,810	13,787	25,597
Thereafter	250,435	136,428	386,863
Total	\$ 304,865	\$ 211,714	\$ 516,579

Prior Year Defeasance: In prior years, the primary government has defeased certificates of participation by placing the proceeds of new certificates in an irrevocable trust account to provide for all future debt service payments on the old certificates. Accordingly, the assets of the trust accounts and the liability for the defeased certificates are not included in the State's financial statements. At June 30, 2000, approximately \$48 million of prior year certificates of participation outstanding are considered defeased.

NOTE 11.**COMMERCIAL PAPER AND OTHER BORROWINGS**

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program of up to \$1.5 billion and an enterprise fund commercial paper program for the Department of Water Resources of up to \$100 million. Under these programs, commercial paper may be issued at prevailing rates for periods not to exceed 270 days from the date of issuance.

To provide liquidity for the programs, a revolving credit agreement has been entered into with commercial banks equal to the authorized amount of commercial paper.

The current agreement, effective September 15, 1999, established the existing \$1.5 billion limit on the amount of outstanding notes under the general obligation commercial paper program. As of June 30, 2000, the general obligation commercial paper program had \$500 million in outstanding commercial paper notes and the enterprise fund commercial paper program had \$28 million in outstanding notes.

The proceeds from the issuance of commercial paper are restricted primarily to construction costs of general obligation bond program projects and of certain water projects. Because the general obligation commercial paper is retired by long-term general obligation debt, it is recorded in the General Long-Term Obligations Account Group.

The University of California, a discretely presented component unit, has mortgages and other borrowings consisting of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. The mortgages are secured by real property. Included in mortgages and other borrowings, which total approximately \$150 million, are various unsecured financing agreements with commercial banks that total approximately \$41 million.

The University of California established a \$550 million commercial paper program with tax-exempt and taxable components. The program is supported by the legally available unrestricted cash balance in the University of California's Short Term Investment Pool. Commercial paper has been issued to provide for interim financing of construction and related equipment and medical center working capital requirements. Commercial paper is not secured by any encumbrance, mortgage, or other pledge of property and does not constitute a general obligation of the University of California Regents. At June 30, 2000, outstanding tax-exempt and taxable commercial paper was \$430 million and \$120 million, respectively.

NOTE 12.

LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30 is approximately \$7.1 billion. This amount does not include any future escalation charges for real estate taxes and operating expenses. Most primary government leases are classified as operating leases, in accordance with the applicable standards, and contain clauses providing for termination. It is expected that in the normal course of business most of these operating leases will be replaced by similar leases.

The total present value of minimum capital lease payments for the primary government is composed of approximately \$3.4 billion in the General Long-Term Obligations Account Group and \$69 million in internal service funds. Lease expenditures for the year ended June 30 amounted to approximately \$663 million.

Included in the capital lease commitments are lease-purchase agreements that certain state agencies have entered into with the State Public Works Board, an enterprise fund agency, amounting to a present value of net minimum lease payments of \$3.3 billion. This amount represents 95% of the total present value of minimum lease payments of the primary government. Also included in the capital lease commitments are some lease-purchase agreements to acquire equipment.

The capital lease commitments do not include \$836 million of lease-purchase agreements with building authorities that are blended component units. These building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the leases, title will pass to the primary government. The costs of the buildings are reported in the General Fixed Assets Account Group and the revenue bonds and certificates of participation outstanding associated with the buildings are reported in the General Long-Term Obligations Account Group. Accordingly, the lease receivables or capital lease obligations associated with these buildings are not included in the financial statements pursuant to GASB Statement No. 14.

Future minimum lease commitments of the primary government are summarized in Table 15.

Table 15**Schedule of Future Minimum Lease Commitments – Primary Government**

(Amounts in thousands)

Year Ending June 30	Operating Leases	Capital Leases		Total
		General Long-Term Obligations	Internal Service Funds	
2001	\$ 231,984	\$ 398,945	\$ 9,638	\$ 640,567
2002	184,293	390,405	9,638	584,336
2003	146,921	393,671	9,582	550,174
2004	81,253	390,144	8,970	480,367
2005	47,841	389,026	9,193	446,060
Thereafter	135,082	4,187,161	48,524	4,370,767
Total Minimum Lease Payments	\$ 827,374	6,149,352	95,545	\$ 7,072,271
Less amount representing interest		2,741,562	26,220	
Present Value of Net Minimum Lease Payments		\$ 3,407,790	\$ 69,325	

The aggregate amount of discretely presented component units' lease commitments for land, facilities, and equipment in effect as of June 30, 2000, is approximately \$2.3 billion. Table 16 presents the future minimum lease commitments for the University of California and the special purpose authorities, as of June 30. Operating lease expenditures for the year ended June 30 amounted to approximately \$134 million for discretely presented component units.

Table 16**Schedule of Future Minimum Lease Commitments – Discretely Presented Component Units**

(Amounts in thousands)

Year Ending June 30	University of California		Special Purpose Authorities	Total
	Capital	Operating	Operating	
2001	\$ 130,142	\$ 56,304	\$ 22,955	\$ 209,401
2002	120,714	50,454	18,069	189,237
2003	114,538	43,471	15,904	173,913
2004	110,944	38,382	9,330	158,656
2005	107,963	32,053	6,138	146,154
Thereafter	1,347,834	100,376	18,991	1,467,201
Total Minimum Lease Payments	1,932,135	\$ 321,040	\$ 91,387	\$ 2,344,562
Less amount representing interest	720,518			
Present Value of Net Minimum Lease Payments	\$ 1,211,617			

NOTE 13.

COMMITMENTS

The primary government has made commitments of \$3.1 billion for certain highway construction projects. These commitments are not included in the reserve for encumbrances in the special revenue funds because the future expenditures related to these commitments are expected to be reimbursed from local governments and proceeds of approved federal grants. The ultimate liability will not accrue to the State.

As of June 30, the primary government had other commitments totaling \$2.4 billion that are not included as a liability on the balance sheet. These commitments included loan and grant programs for housing, school building aid, and rail system construction totaling approximately \$1.4 billion. The total commitments also included approximately \$886 million for the construction of water projects and the purchase of power, and up to \$102 million for the operation and maintenance of the lottery's automated gaming system. The commitments are expected to be funded from existing program resources and from the proceeds of revenue and general obligation bonds to be issued.

As of June 30, the University of California and special purpose authorities, discretely presented component units, had other commitments that are not included as a liability on the balance sheet. The University of California had authorized construction projects totaling \$1.7 billion. Special purpose authorities had outstanding commitments to provide \$385 million for loans under various housing revenue bond programs.

NOTE 14.

GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds majority of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education. The General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service provided on their behalf.

General obligation bonds that are directly related to, and expected to be paid from, the resources of enterprise funds are included within the accounts of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

As of June 30, \$14.8 billion of general obligation bonds had been authorized but not issued. This amount includes \$6.5 billion that has been authorized by the applicable finance committee for future issuance in the form of commercial paper notes. Of this amount, \$500 million in general obligation indebtedness has been issued in the form of commercial paper notes, but not yet retired by long-term bonds.

Table 17 summarizes the changes in general obligation bond debt for the year ended June 30.

Table 17**Schedule of Changes in General Obligation Bond Debt**

(Amounts in thousands)

	General Long-Term Obligations	Enterprise Funds	Total
Balance, July 1, 1999	\$ 16,167,030	\$ 3,716,115	\$ 19,883,145
Additions	2,751,350	—	2,751,350
Deductions	(1,080,090)	(202,715)	(1,282,805)
Balance, June 30, 2000	\$ 17,838,290	\$ 3,513,400	\$ 21,351,690

Table 18 shows the debt service requirements for all general obligation bonds, including interest of \$12.8 billion, as of June 30, 2000.

Table 18**Schedule of General Obligation Bonds Debt Service Requirements**

(Amounts in thousands)

Year Ending June 30	General Long-Term Obligations	Enterprise Funds
2001	\$ 2,215,782	\$ 331,801
2002	2,152,150	348,540
2003	2,052,145	313,467
2004	1,902,476	326,769
2005	1,773,976	328,945
Thereafter	18,074,765	4,322,969
Total	\$ 28,171,294	\$ 5,972,491

Current Year Defeasances: During the year ended June 30, 2000, the primary government issued approximately \$127 million in veterans general obligation bonds, the proceeds of which were used to immediately refund previously issued veterans general obligation bonds of approximately \$127 million. In addition, approximately

\$117 million of veterans general obligation bonds were refunded by veterans Home Purchase Revenue bonds (See Note 15, Revenue Bonds).

Prior Year Defeasance: In prior years, the primary government has placed the proceeds of the refunded bonds in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on the defeased bonds. The assets of the trust accounts and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2000, the outstanding balance of general obligation bonds defeased in prior years was approximately \$1.5 billion.

NOTE 15.

REVENUE BONDS

Revenue bonds that are directly related to, and expected to be paid from, the resources of enterprise funds are included within the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of the authorities and agencies listed in the next section of this note. The General Fund has no legal liability for payment of principal and interest on revenue bonds.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance are issued for Water Resources, California State University, and Leasing of Public Assets. Revenue bonds are also issued to make loans to finance the acquisition of farms and homes by California veterans. When the farm and home loans financed by the revenue bonds are fully paid, the farms and homes become the property of private individuals.

Certain building authorities, under state law, may issue revenue bonds. These revenue bonds are included in the General Long-Term Obligations Account Group. These bonds are issued for the purpose of acquiring and constructing buildings for public education purposes and for the purpose of constructing state office buildings. Leases with state agencies pay the principal and interest on the revenue bonds issued by the building authorities. The primary government has no legal liability for the payment of principal and interest on these revenue bonds.

The University of California, a discretely presented component unit, issues revenue bonds to finance the construction, renovation, and acquisition of certain facilities and equipment.

Under state law, a special purpose authority, which is a discretely presented component unit, issues revenue bonds to make loans to finance housing developments and to finance the acquisition of

homes by low to moderate income families. When the housing developments and home loans are fully paid, the housing developments and homes become the property of private individuals or entities.

Table 19 shows revenue bonds outstanding as of June 30.

Table 19

Schedule of Revenue Bonds Outstanding

June 30, 2000

(Amounts in thousands)

Primary Government	
General Long-Term Obligations	
Building Authorities	
California State University	\$ 30,680
Los Angeles	203,205
San Francisco	382,060
San Bernardino	60,620
Oakland	154,125
Riverside	13,160
Total General Long-Term Obligations	843,850
Enterprise Funds	
Housing Loan	505,815
Water Resources	2,412,642
California State University	582,933
Leasing of Public Assets	5,491,892
Total Enterprise Funds	8,993,282
Total Primary Government	9,837,132
Discretely Presented Component Units	
University of California	2,754,000
Special Purpose Authorities	6,693,933
Total Discretely Presented Component Units	9,447,933
Total	\$ 19,285,065

Table 20 shows the debt service requirements as of June 30, 2000. The debt service requirements primarily represent bond principal payments. Table 20 also includes certain unamortized refunding costs, premiums, discounts, and other costs not included in Table 19.

Table 20**Schedule of Revenue Bond Debt Service Requirements**

(Amounts in thousands)

Year Ending June 30	Primary Government		Discretely Presented Component Units
	General Long-Term Obligations	Enterprise Funds	
2001	\$ 29,245	\$ 475,678	\$ 255,331
2002	30,590	344,483	282,361
2003	31,975	354,968	227,490
2004	33,450	381,286	238,679
2005	35,080	396,844	251,150
Thereafter	683,510	7,356,343	8,211,388
Total	\$ 843,850	\$ 9,309,602	\$ 9,466,399

Current Year Defeasances: For the year ended June 30, 2000, the primary government issued approximately \$117 million of Home Purchase Revenue Bonds to refund approximately \$117 million of outstanding veterans general obligation bonds. For those bonds that could not be called for immediate redemption, proceeds were deposited in an escrow account held by the State Treasurer, as escrow trustee, to provide for all future debt service payments on the defeased bonds. As a result, these bonds are considered to be defeased and the liabilities have been removed from the financial statements.

For the year ended June 30, 2000, the California Housing Finance Agency (CHFA), a discretely presented component unit, issued \$156 million of Home Mortgage Revenue Bonds at variable rates to refund \$152 million in outstanding Home Mortgage Revenue Bonds. If the rate on the variable rate bonds remains constant, the refunding will decrease the debt service cash outflow for the housing bonds by approximately \$89 million and result in an economic gain of approximately \$47 million. The CHFA considered these debt refundings to be an in-substance defeasance and accordingly, removed the redeemed bonds and related assets from the financial statements. The deferred loss from extinguishment of debt was \$4 million.

Prior Year Defeasances: In prior years, the primary government defeased certain bonds by placing the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2000, the outstanding balance of revenue bonds defeased in prior years was approximately \$2.2 billion.

In prior years, the University of California, a discretely presented component unit, defeased certain bonds. Investments that have maturities and interest rates sufficient to fund retirement of defeased liabilities are being held in irrevocable trusts for the debt service payments. Accordingly, the assets of the trust accounts and the liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2000, the outstanding balance of University of California revenue bonds defeased in prior years was \$671 million.

NOTE 16.**MAJOR TAX REVENUES**

Tax revenues for the year ended June 30, 2000, are presented in Table 21.

Table 21**Schedule of Major Tax Revenues**

Year Ended June 30, 2000

(Amounts in thousands)

	General Fund	Special Revenue Funds	Expendable Trust Funds
Personal income	\$ 39,516,018	\$ —	\$ —
Sales and use	21,121,778	4,276,539	—
Bank and corporation	6,569,805	—	—
Unemployment insurance	—	—	2,945,830
Disability insurance	—	—	1,613,303
Insurance	1,301,346	—	—
Inheritance, estate, and gift	937,177	—	—
Cigarette and tobacco	132,429	1,087,458	—
Other	309,031	339,441	42,898
Total	\$ 69,887,584	\$ 5,703,438	\$ 4,602,031

NOTE 17.**FUND EQUITY****A. Fund Deficits**

The following funds had deficits at June 30, 2000, as shown in Table 22.

Table 22**Schedule of Fund Deficits**

June 30, 2000

(Amounts in thousands)

	Special Revenue Funds	Capital Projects Funds	Internal Service Funds
Financing to Local Governments	\$ 32,773	\$ —	\$ —
Higher Education Construction	—	10,105	—
All Other Capital Projects	—	3,160	—
Water Resources Revolving	—	—	33,263
Architecture Revolving	—	—	3,338
Total	\$ 32,773	\$ 13,265	\$ 36,601

**B. Changes to
Contributed Capital**

The changes in the State's contributed capital accounts are shown in Table 23.

Table 23**Schedule of Changes in Contributed Capital**

(Amounts in thousands)

	Enterprise Funds	Internal Service Funds	Discretely Presented Component Units	Total
Balance, July 1, 1999	\$ 247,657	\$ 345,183	\$ 109	\$ 592,949
Government contributions	48,827	1,901	—	50,728
Decreases	—	(1)	—	(1)
Balance, June 30, 2000	\$ 296,484	\$ 347,083	\$ 109	\$ 643,676

NOTE 18.**RISK MANAGEMENT**

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, there has been no insurance settlement in the last three years that has exceeded insurance coverage. The primary government generally does not maintain reserves. Losses are covered in the year in which the payment occurs by appropriations from each fund responsible for payment. All claim payments are on a "pay as you go" basis with workers' compensation benefits for self-insured agencies being initially paid by the SCIF. The potential amount of loss arising from

risks other than workers' compensation benefits is not considered material in relation to the primary government's financial position.

The discounted liability for unpaid self-insured workers' compensation losses is estimated to be \$1.1 billion as of June 30, 2000. This estimate is based on an actuarial review of the State's employee workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, Industrial Disability Leave benefits, and incurred but not reported amounts. The estimated total liability of approximately \$1.7 billion is discounted using a 6.3% interest rate. Of the total, \$140 million is included in the General Fund, \$86 million in the special revenue funds, \$19 million in the proprietary fund types, and \$846 million in the General Long-Term Obligations Account Group. Changes in the claims liabilities during the year ended June 30 are shown in Table 24.

The University of California, a discretely presented component unit, is self-insured for medical malpractice, workers' compensation, employee health care, and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported. The estimated liabilities are based upon an independent actuarial determination of the anticipated future payments, discounted at rates ranging from 6.25% to 8.0%. The special purpose authorities, which are discretely presented component units, do not have any significant liabilities related to self-insurance.

Table 24

Schedule of Changes in Self-Insurance Claims

Years Ended June 30

(Amounts in thousands)

	Primary Government		University of California – Discretely Presented Component Unit	
	2000	1999	2000	1999
Unpaid claims, beginning	\$ 990,000	\$ 886,000	\$ 330,000	\$ 319,300
Incurred claims	361,000	345,000	241,700	174,600
Claim payments	(260,000)	(241,000)	(209,400)	(163,900)
Unpaid claims, ending	\$ 1,091,000	\$ 990,000	\$ 362,300	\$ 330,000

NOTE 19.

SEGMENT INFORMATION

Selected financial information by enterprise fund activity for major segments is shown in Table 25. The primary sources of enterprise fund revenues are as follows.

Housing Loans: Interest charged on contracts of sale of properties to California veterans and to California National Guard members; loan origination fees; and interest on investments.

Water Resources: Charges to local water districts, sale of excess power to public utilities, and interest earned on investments.

School Building Aid: Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities and income from the rental of portable classrooms to school districts.

Toll Facilities: Toll fees and interest earned on investments.

California State University: Charges to students for housing and parking; student fees for campus unions, health centers, and self-supporting educational programs; and interest earned on investments.

Leasing of Public Assets: Rental charges from the lease of public assets and interest earned on investments.

State Lottery: Sale of lottery tickets.

Health Facilities Construction Loan Insurance: Construction project fees and income from loan insurance premiums and operations or proceeds of sales of property acquired by default of borrowers.

Public Employees' Benefits: Contributions for public employee long-term care plans and fees for managing a deferred compensation program.

Other Enterprise: Canteen revenues and fees charged by various other departments.

Table 25

Schedule of Enterprise Fund Activity by Separate Major Segments

As of and for the Year Ended June 30, 2000

(Amounts in thousands)

	Housing Loan	Water Resources	School Building Aid	Toll Facilities	California State University	Leasing of Public Assets	State Lottery	Health Facilities Construction Loan Insurance	Public Employees' Benefits	Other Enterprise
Operating revenue	\$ 241,353	\$ 689,705	\$ 25,099	\$ 6,991	\$ 218,111	\$ 413,746	\$ 2,598,379	\$ 27,452	\$ 153,735	\$ 119,850
Depreciation	1,094	75,352	3,720	18,503	—	—	6,155	488	—	18
Amortization of deferred charges	—	79,203	—	429	—	5,830	1,391	—	—	—
Operating income (loss)	12,497	165,407	10,962	(15,877)	6,815	16,142	885,762	(3,645)	(86,396)	(1,729)
Operating transfers in	2,115	—	—	3,612	24,966	1,641	—	—	—	—
Operating transfers out	2,115	—	20,733	—	38,466	1,641	—	—	—	1,609
Net income (loss)	6,530	(15,376)	(9,771)	(51,515)	(12,189)	16,142	—	4,845	(51,941)	10,875
Grants received	—	—	—	—	267	—	—	—	—	—
Grants provided	—	—	—	41,813	—	—	—	—	—	—
Property, plant, and equipment										
Additions	916	23,965	—	14,307	58,116	136,296	2,069	6	—	10
Deductions	1,094	75,352	3,720	18,503	—	—	6,218	488	—	18
Net working capital	934,696	245,429	55,666	19,851	465,686	616,172	(36,627)	156,313	545,664	247,632
Total assets	3,491,880	4,757,654	253,892	625,666	1,381,990	5,800,766	3,260,529	244,820	552,144	623,628
Bonds and other long-term liabilities	3,105,454	3,653,889	1,250	—	597,785	5,491,892	2,498,019	187,360	528,249	42,090
Total Equity	295,235	1,003,845	251,797	612,396	708,053	176,583	—	56,677	17,415	453,211

NOTE 20.

**CONDENSED FINANCIAL STATEMENTS -
DISCRETELY PRESENTED COMPONENT UNITS**

Tables 26 and 27 present summary financial statements of the special purpose authorities, which are the SCIF, the CHFA, and Non-Major Component Units. The financial statements of the University of California, a discretely presented component unit, are presented separately in the combined statements of this report.

The SCIF is a component unit created to offer insurance protection to employers at the lowest possible cost. This information is as of *and for the year ended December 31, 1999*. The CHFA was created for the purpose of meeting the housing needs of persons and families of low and moderate income. The Non-Major Component Units provide certain services that are not part of the primary government and also provide certain private and public entities with a low-cost source of financing for activities that are deemed to be in the public interest.

Table 26**Condensed Balance Sheet - Special Purpose Authorities -
Discretely Presented Component Units**

June 30, 2000

(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	Non-Major Component Units	Total
Assets				
Due from primary government	\$ —	\$ —	\$ 5,213	\$ 5,213
Other current assets	1,158,845	430,956	640,600	2,230,401
Investments	6,022,968	1,387,517	58,849	7,469,334
Advances and loans receivable	—	5,859,389	—	5,859,389
Fixed assets	212,550	—	312,769	525,319
Total Assets	\$ 7,394,363	\$ 7,677,862	\$ 1,017,431	\$ 16,089,656
Liabilities				
Other current liabilities	\$ 1,058,200	\$ 344,907	\$ 16,394	\$ 1,419,501
Benefits payable	5,062,442	—	—	5,062,442
Revenue bonds payable	—	6,597,403	96,530	6,693,933
Contracts and notes payable	—	—	5,248	5,248
Total Liabilities	6,120,642	6,942,310	118,172	13,181,124
Fund Equity				
Contributed capital	—	—	109	109
Retained earnings				
Reserved for regulatory requirements	—	657,211	—	657,211
Unreserved	1,273,721	78,341	899,150	2,251,212
Total Fund Equity	1,273,721	735,552	899,259	2,908,532
Total Liabilities and Fund Equity	\$ 7,394,363	\$ 7,677,862	\$ 1,017,431	\$ 16,089,656

Table 27

**Condensed Statement of Revenues, Expenses, and Changes in
Retained Earnings – Special Purpose Authorities –
Discretely Presented Component Units**

Year Ended June 30, 2000

(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	Non-Major Component Units	Total
Operating Revenues				
Earned premiums (net)	\$ 1,242,319	\$ —	\$ —	\$ 1,242,319
Other revenue	49,270	409,148	147,632	606,050
Total Operating Revenues	1,291,589	409,148	147,632	1,848,369
Operating Expenses				
Depreciation	5,143	214	6,037	11,394
Benefit payments	1,486,083	—	3,986	1,490,069
Interest expense	—	369,272	3,215	372,487
Amortization of deferred charges	176,815	1,709	—	178,524
Other operating expenses	97,000	57,140	123,095	277,235
Total Operating Expenses	1,765,041	428,335	136,333	2,329,709
Operating Income (Loss)	(473,452)	(19,187)	11,299	(481,340)
Nonoperating Revenues (Expenses)				
Investment and interest income (loss)	(177,211)	90,412	4,093	(82,706)
Dividends paid	7,279	—	—	7,279
Other nonoperating revenues (expenses), net	—	—	429,881	429,881
Net Nonoperating Revenues (Expenses)	(169,932)	90,412	433,974	354,454
Net Income (Loss)	(643,384)	71,225	445,273	(126,886)
Retained Earnings, July 1, 1999	1,917,105	664,327	453,877 *	3,035,309
Retained Earnings, June 30, 2000	\$ 1,273,721	\$ 735,552	\$ 899,150	\$ 2,908,423

*Restated

NOTE 21.**NO COMMITMENT DEBT**

Certain debt of the special purpose authorities, which are discretely presented component units, is issued to finance activities such as construction of new facilities and remodeling of existing facilities, as well as acquisition of equipment. This debt is collateralized solely by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, the special purpose authorities had \$14.4 billion of debt outstanding, which is not debt of the State.

The State has also entered into transactions which involve debt issued by four special purpose trusts that were created by another special purpose authority, called the California Infrastructure and Economic Development Bank. The special purpose trusts are legally separate entities that issued long-term debt for the primary purpose of financing certain costs of assets and obligations that are recoverable by utilities through electric rate charges, but which may prevent the utilities from offering electricity at lower rates in a competitive market. As of June 30, the special purpose trusts had approximately \$4.6 billion of debt outstanding. Similar to the debt of the special purpose authorities, the debt of the special purpose trusts is not a debt of the State.

NOTE 22.**CONTINGENT LIABILITIES**

A. Litigation

The primary government is a party to numerous legal proceedings, many of which normally occur in governmental operation. To the extent they existed, the following were accrued as a liability in the financial statements: legal proceedings that were decided against the primary government before June 30, 2000; legal proceedings that were in progress as of June 30, 2000, and were settled or decided against the primary government as of November 17, 2000; and legal proceedings having a high probability of resulting in a decision against the primary government as of November 17, 2000, and for which amounts could be estimated. For governmental fund types and expendable trust funds, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability of the fund from which payment will be made; the remainder is shown as a liability of the General Long-Term Obligations Account Group. For other fund types, the entire liability is recorded in the fund involved. In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may require it to make significant future expenditures or may impair future revenue sources. Because of the prospective nature of these proceedings, no provision for this potential liability has been made in the financial statements.

Following are the more significant lawsuits pending against the primary government:

The primary government is involved in a lawsuit, *Thomas Hayes v. Commission on State Mandates*, related to state-mandated costs. The action involves an appeal by the Director of Finance from a 1984 decision by the State Board of Control now succeeded by the Commission on State Mandates (COSM). The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students. In

July 1990, the trial court entered judgment in favor of the Director of Finance and remanded the case to the COSM for redetermination. The COSM has since expanded the claim to include supplemental claims filed by seven other educational institutions. The parties entered into negotiations to explore possible settlement options. In October 2000, Governor Davis and the schools had agreed to a proposed settlement, contingent upon signed waivers by local educational agencies and appropriations by the Legislature. The proposal envisions state appropriations of \$520 million for past costs and \$100 million annually for future costs. If the settlement agreement is not approved, the amount of the liability is not capable of estimation.

The primary government is involved in a lawsuit related to contamination at the Stringfellow toxic waste site. In *United States, People of the State of California v. J. B. Stringfellow, Jr., et al.*, the primary government is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future costs, and an injunction ordering completion of the cleanup. The defendants have filed a counterclaim against the primary government for alleged negligent acts resulting in significant findings of liability against the primary government as owner and operator of the site. The primary government has appealed the rulings. The court stayed the appeal pending settlement discussions. In July 1999, the district court set a trial date of January 30, 2001, to settle all remaining issues. Present estimates of the cleanup range from approximately \$455 to \$675 million. Potential primary government liability falls within this same range depending on (1) the final remedial action chosen by the federal and primary governments, (2) whether the 1998 district court judgment imposing counterclaim liability on the primary government is upheld on appeal, and (3) whether all or a portion of any judgment against the primary government could be satisfied by recoveries from its insurance carriers.

The primary government is a defendant in three actions, *Cigarettes Cheaper!, et al. v. Board of Equalization, et al.*, *California Assn. of Retail Tobacconists, et al. v. Board of Equalization, et al.*, and *McLane/Suncoast, Inc. v. Board of Equalization*, that challenge the constitutionality of Proposition 10. The plaintiffs allege that Proposition 10, which increases the excise tax on tobacco products, violates 11 sections of the California Constitution and related provisions of law. The primary government filed notices of related cases. If the statute ultimately is declared unconstitutional, exposure may include the entire \$750 million that is collected annually, together with interest on these collections. On November 15, 2000 the trial court ruled completely in the primary government's favor. An appeal is expected.

The primary government is a defendant in an action, *Ronald Arnett, et al. v. California Public Employees' Retirement System (PERS); California Board of Administration of PERS; et al.*, that challenges Section 21417 of the Government Code pertaining to industrial disability retirement benefits. The plaintiffs allege that Section 21417 makes retirement decisions based upon age, in violation of the Age Discrimination in Employment Act of 1967. PERS estimated potential damages at \$316 million (lump sum) in this case. The action reached the United States Supreme Court, which, on January 18, 2000, vacated the appellate court's ruling against the primary government, and remanded the action for further proceedings consistent with *Kimel v. Florida Bd. of Regents*, which held that states enjoy sovereign immunity from private Age Discrimination in Employment Act suits. On July 13, 2000, the Equal Employment Opportunity Commission filed a complaint against the primary government and intervened in this matter as a party plaintiff. The district court set a trial date in this case for April 30, 2001.

The primary government is a defendant in a joint action involving fifty-five counties, *Sonoma County, et al., v. Commission on State Mandates*, seeking recovery of property tax revenues reallocated to school districts. The counties contend that this reallocation of revenues constitutes State mandated costs and therefore is subject to reimbursement. The action has reached the Court of Appeal, which, on November 21, 2000, reversed a Superior Court's judgment and remanded with instructions to enter a new judgment denying the counties' petition. The counties have announced their intention to file a petition for review in the California Supreme Court. An unfavorable outcome is possible and would require the primary government to return between \$10 and \$15 billion to counties for retroactive payment, an amount that increases by approximately \$3.5 billion annually.

The University of California and the special purpose authorities, which are discretely presented component units, are contingently liable in connection with claims and contracts, including those currently in litigation, arising in the normal course of their activities. The outcome of such matters is either not expected to have a material effect on the financial statements or cannot be estimated at this time.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government is entitled to these resources only if it complies with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; the primary government may spend these resources only for eligible

purposes. If audits disclose exceptions, the primary government may incur a liability to the federal government.

NOTE 23.**PENSION TRUSTS**

Two retirement systems, the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), are included in the primary government. One retirement system, the University of California Retirement System (UCRS), is included in the discretely presented component units. The pension liability for all pension trust funds was determined in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers. The amounts of the pension liability for all pension trust funds are presented on Tables 29 and 30 as the net pension obligation (NPO) as of June 30, 2000. Information on the investments of the retirement systems is included in Note 3, Deposits and Investments.

CalPERS administers five defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (JRF), the Judges' Retirement Fund II (JRF II), the Legislators' Retirement Fund (LRF), and the Volunteer Firefighters' Length of Service Award Fund (VFF). CalPERS also administers one defined contribution plan, the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF). CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

CalPERS uses the accrual basis of accounting. Member contributions are recorded when due except for the VFF and the SPOFF which are funded only by employer contributions. Employer contributions are recorded when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due in accordance with the terms of each plan.

The CalSTRS administers two defined benefit retirement plans within the State Teacher's Retirement Fund (STRF). The two plans are the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CBB Program). CalSTRS also offers, through a third party administrator, a defined contribution plan that meets the requirements of Internal Revenue Code Section 403(b). CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information on these plans. This report may be obtained from the California State Teachers' Retirement System, Audits Division, 7667 Folsom Boulevard, 2nd Floor, Sacramento, California 95826.

CalSTRS uses the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and primary government contributions are recognized when due and the employer or the primary government has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the retirement program.

**A. Public Employees'
Retirement Fund**

1. Fund Information

Plan Description: CalPERS administers the PERF, which is an agent multiple-employer defined benefit retirement plan. Employers participating in the PERF include the primary government and certain special purpose authorities, which are discretely presented component units, 61 school employers, and 1,333 public agencies as of June 30, 2000.

The excess of the actuarial value of assets over the actuarial accrued liability of PERF for the primary government and other participating agencies was \$32.9 billion at June 30, 1999. This is a result of the difference between the actuarial value of assets of \$148.6 billion and the actuarial accrued liability of \$115.7 billion. Contributions are actuarially determined.

**2. Employer's
Information**

Plan Description: The primary government and certain special purpose authorities contribute to the PERF. CalPERS acts as a common investment and administrative agent of the primary government and the other member agencies. The special purpose authorities' participation in PERF is not a material portion of the program. The primary government has six pension plans within the PERF: first-tier miscellaneous, second-tier miscellaneous, industrial, California Highway Patrol, peace officers and firefighters, and other safety members. The payroll for primary government employees covered by the PERF in the year ended June 30, 2000, was approximately \$11.0 billion.

All employees who work on a half-time or more basis are eligible to participate in the PERF. The PERF provides benefits based on members' years of service, age, final compensation, and benefit formula. Vesting occurs after five or ten years, depending on the plan. All plans provide death, disability, and survivor benefits. The benefit provisions are established by statute.

Funding Policy: Benefits are funded by contributions from members and the primary government and earnings from investments. Member and primary government contributions are a percentage of applicable member compensation. Member rates are defined by law and based on the primary government's benefit formula. The primary government contribution rates are determined by periodic actuarial valuations or by state statute.

Employees, with the exception of employees in the second-tier plan, are required to contribute to the fund. The contribution rates of active plan members are based on a percentage of salary over a monthly base compensation amount of \$133 to \$863. With the exception of employees in the second-tier plan, employees' required contributions vary from 5.0% to 8.0% of their salary over their base compensation amount.

The required employer contribution rates, without group term life insurance benefits, for the primary government are shown in Table 28. The employer contribution rate for employees in the industrial member category who are covered by group term life insurance is 0.03%. This is 0.03% greater than the rate for employees not covered by group term life insurance.

Table 28

Schedule of Required Employer Contribution Rates for the Primary Government by Member Category

Year Ended June 30, 2000

	Normal Cost	Unfunded Liability	Total Rate
Miscellaneous members			
First tier	8.62 %	(7.13) %	1.49 %
Second tier	6.57	(6.57)	—
Industrial	8.67	(8.67)	—
California Highway Patrol	13.35	—	13.35
Peace officers and firefighters	13.89	(13.89)	—
Other safety members	12.17	(4.68)	7.49

For the year ended June 30, 2000, the annual pension cost (APC) and the amount of contributions made by the primary government were each approximately \$171 million. The APC and the percentage of APC contributed for the last three years are shown in Table 29. Actuarial valuations of the PERF are performed annually. Information from the last valuation, which was performed as of June 30, 1999, is also shown in Table 29.

B. Judges' Retirement Fund

Plan Description: CalPERS administers the JRF, which is an agent multiple-employer defined benefit retirement plan. The JRF membership includes justices of the Supreme Court and courts of appeal, as well as judges of superior courts, municipal courts, and justice courts appointed or elected prior to November 9, 1994. There are 59 employers participating in the JRF for the year ended June 30, 2000. The payroll for employees covered by the JRF for the year ended June 30, 2000, was approximately \$146 million. The primary government pays the employer contributions for all employees covered by the JRF.

The JRF provides benefits based on a member's years of service, age, final compensation, and benefit formula. Vesting occurs after five years. The JRF provides death, disability, and survivor benefits. Benefits for the JRF are established by the Judges' Retirement Law.

Funding Policy: The required contribution rates of active plan members are based on a percentage of salary over a base compensation amount. For the year ended June 30, 2000, the required contribution rate for the JRF was 8.0%.

The contributions of the primary government to the JRF are not actuarially determined. Contributions are pursuant to state statute. Employer contributions are required to be 8.0% of applicable member compensation. The other funding to meet benefit payment requirements of the JRF is currently provided from the following sources: filing fees, which require varying amounts depending on fee rate and number of filings; investments, which earn the current yield on short term investments; and the primary government's balancing contributions, as required by the Judges' Retirement Law. The balancing contributions are equal to an amount at least equal to the estimated benefits payable during the ensuing fiscal year, less the sum of the estimated member contributions during the ensuing fiscal year and net assets available for benefits at the beginning of the fiscal year ("pay as you go" basis).

The APC and the amount of contributions made to the JRF for the year ended June 30, 2000, were \$136 million and \$74 million, respectively. The net pension obligation (NPO) of the JRF at June 30, 2000, was \$735 million, an increase of \$62 million over last year's balance of \$673 million. The APC is comprised of \$139 million for the annual required contribution (ARC), \$50 million interest on the NPO, and \$53 million for the adjustment to the ARC. An actuarial valuation of the JRF's assets and liabilities is made annually. The APC, the percentage of APC contributed, and the NPO for the last three years are shown in Table 29. Information on the last valuation, which was performed as of June 30, 1999, is also shown in Table 29. The aggregate cost method that was used for the June 30, 1999, valuation does not identify or separately amortize the unfunded actuarial accrued liability; therefore, this liability is not shown in Table 29.

C. Judges' Retirement Fund II

Plan Description: CalPERS administers the JRF II, which is an agent multiple-employer defined benefit retirement plan. The membership of the JRF II includes justices of the same courts as covered by the JRF who were appointed or elected on or subsequent to November 9, 1994. There are 59 employers participating in the JRF II. The payroll for employees covered by the JRF II for the year ended June 30, 2000, was approximately \$40 million. The primary government pays the employer contributions for all employees covered by the JRF II.

The JRF II provides benefits based on a member's years of service, age, final compensation, and benefit formula. Vesting occurs after five years. The JRF II provides death, disability, and survivor benefits. Benefits for the JRF II are established by the Judges' Retirement System II Law.

Funding Policy: The required contribution rate of active plan members is based on a percentage of salary over a base compensation amount. For the year ended June 30, 2000, the required contribution rate for the JRF II was 8.0%. For the year ended June 30, 2000, the primary government's contribution rate for the JRF II was 18.57% of applicable member compensation.

Actuarial valuations for the JRF II are required to be carried out annually. The legislated primary government contribution rate will be adjusted periodically as part of the annual Budget Act in order to maintain or restore the actuarial soundness of the fund.

For the year ended June 30, 2000, the APC and the amount of contributions made for the JRF II were approximately \$7.5 million and \$7.5 million, respectively. The APC and the percentage of APC contributed for the year ended June 30, 2000 are shown in Table 29. Information on the last valuation, which was performed as of June 30, 1999, is also shown in Table 29.

D. Legislators' Retirement Fund

Plan Description: CalPERS administers the LRF, which is a single-employer defined benefit retirement plan. The eligible membership of the LRF includes state legislators serving in the legislature prior to November 1, 1990, constitutional officers, and legislative statutory officers. The payroll for employees covered by the LRF in 2000 was approximately \$3 million.

The LRF provides benefits based on members' years of service, age, final compensation, and benefit formula. Vesting occurs after five years. The plan provides death, disability, and survivor benefits. Benefits for the LRF are established by the Legislators' Retirement Law.

The LRF is currently in transition. The number of legislators eligible to participate in the LRF is declining as incumbent legislators leave office and are replaced by new legislators who are not eligible to participate in the program. Eventually, the only active members in the LRF will be approximately 18 constitutional officers (including the Insurance Commissioner and members of the Board of Equalization) and approximately four legislative statutory officers.

Funding Policy: The contribution requirements of the LRF are based on actuarially determined rates. An actuarial valuation of the LRF's assets and liabilities is required at least every two years. For the

year ended June 30, 2000, the actual contributions made by employees were approximately 5.5% of covered payroll. For the year ended June 30, 2000, the primary government's statutory funding rate was 18.81% of covered payroll through December 31, 1999, and the actuarial determined rate of 0.00% through June 30, 2000.

The APC and the amount of contributions made by the primary government to the LRF for the year ended June 30, 2000, were zero and \$0.3 million, respectively. The NPO of the LRF at June 30, 2000, was \$10.3 million, a decrease of \$0.4 million over last year's balance of \$10.7 million. There was no APC because the ARC equaled zero, and the interest on the NPO of \$0.8 million approximated the \$0.8 million adjustment to the ARC. The APC, the percentage of APC contributed, and the NPO for the last three years are shown in Table 29. An actuarial valuation of the LRF's assets and liabilities is made annually. Information on the last valuation, which was performed as of June 30, 1999, is also shown in Table 29. The aggregate cost method that was used for the June 30, 1999, valuation does not identify or separately amortize the unfunded actuarial accrued liability; therefore, this liability is not shown in Table 29.

**E. Volunteer
Firefighters' Length
of Service Award
Fund**

Plan Description: CalPERS administers the VFF, which is an agent multiple-employer defined benefit retirement plan. The VFF membership includes volunteer firefighters. There are 57 fire departments participating in the VFF for the year ended June 30, 2000.

The excess of the actuarial value of assets over the actuarial accrued liability of VFF was \$0.2 million at June 30, 1999. This is a result of the difference between actuarial value of assets of \$2.0 million and the actuarial accrued liability of \$1.8 million. Contributions are actuarially determined.

**F. State Peace Officers'
and Firefighters'
Defined Contribution
Plan Fund**

Plan Description: CalPERS administers the SPOFF, which is a defined contribution pension plan. The plan is a qualified money purchase pension plan under Section 401(a) of Title 26 of the Internal Revenue Code, and is intended to supplement the retirement benefits provided by the PERF to correctional officers employed by the State of California in Bargaining Unit 6.

Funding Policy: Contributions to the plan are funded entirely by the primary government with a contribution rate of 2% of the employee's base pay not to exceed contribution limits established by the Internal Revenue Code. Contribution requirements are established and may be amended through a memorandum of understanding from the State of California Department of Personnel Administration. These contributions, as well as the participant's share of the net earnings of the fund, are credited to the

participant's account. For the year ended June 30, 2000, contributions by the primary government to the SPOFF were approximately \$30 million.

The net earnings of the fund are allocated to the participant's account as of each valuation date, in the ratio that the participant's account balance bears to the aggregate of all participants' account balances. The benefit paid to a participant will depend only on the amount contributed to the participant's account and earnings on the value of the participant's account. Plan provisions are established and may be amended by statute. At June 30, 2000, there were approximately 31,800 participants.

**G. State Teachers'
Retirement Fund**

Plan Description: CalSTRS administers the State Teachers' Retirement Fund (STRF) that includes the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CBB Program). These programs are cost-sharing multiple-employer defined benefit retirement plans that provide pension benefits to teachers and certain other employees of the California public school system.

Membership in the DB Program is mandatory for all employees meeting the eligibility requirements. The DB Program provides benefits based on a member's age, final compensation, and years of service. *Vesting occurs after five years. In addition, the retirement program provides benefits to members upon disability and to survivors upon the death of eligible members.* The Teachers' Retirement Law establishes the benefits for the DB Program. At June 30, 2000, the DB Program had approximately 1,160 contributing employers. At June 30, 1999, there were approximately 471,000 plan members and 161,000 benefit recipients. The primary government is a non-employer contributor to the DB Program. The payroll for employees covered by the DB Program in 2000 was approximately \$18.6 billion.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full time equivalent for the position. Participation in the CBB Program is optional to employers. However, if the employer elects to offer the CBB Program, each eligible employee will automatically be covered by the CBB Program unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2000, the CBB Program had 20 contributing school districts and approximately 9,500 contributing participants. Assets of the CBB Program of \$10.9 million are combined with the assets of the DB Program in the STRF.

Funding Policy: DB Program benefits are funded by contributions from members, employers, the primary government, and earnings from investments. Member and employer contributions are a percentage of applicable member earnings. The Teachers' Retirement Law governs member rates, employer contribution rates, and primary government contributions.

DB Program contribution rates of members are 8.0% of applicable member earnings. The employer contribution rate is 8.25% of applicable member earnings. The primary government's contribution to the system, under California Education Code Section 22955, known as the "Elder Full Funding Act," is 4.3% of previous calendar year's member payroll. Subsequent to achieving a fully funded system, the primary government will contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs. Beginning July 1, 1999, the primary government shall transfer annually to the DB Program an amount equal to 3.102% of total creditable earnings of the immediately preceding calendar year to fund certain benefit enhancements that became effective January 1, 1999. Beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings of the immediately preceding calendar year under Section 22955 was established. This rate is reduced to zero if there is no unfunded obligation or normal cost deficit. As of the June 30, 1999, actuarial valuation, there was no unfunded obligation or normal cost deficit for benefits in place as of July 1, 1990.

For the year ended June 30, 2000, the APC for the DB Program was approximately \$1.2 billion, and the employer and primary government contributions were approximately \$1.6 billion and \$0.5 billion, respectively. The APC and the percentage of APC contributed for the last three years are shown in Table 29. Actuarial valuations of the DB Program are performed biennially. Information from the last valuation is also shown in Table 29.

H. CalSTRS 403(b) Program

Plan Description: CalSTRS administers a 403(b) program through a third party administrator. The 403(b) program is a defined contribution plan and is open to any employee who is eligible to participate. Contributions to the program are voluntary; however, the Internal Revenue Code does impose a maximum amount that can be contributed annually. At June 30, 2000, the 403(b) program had approximately 250 participating employers (school districts) and 2,300 plan members.

Table 29**Actuarial Information – Pension Trusts – Primary Government**

June 30, 2000

	Public Employees' Retirement	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	State Teachers' Retirement Defined Benefit Program
Last actuarial valuation	June 30, 1999	June 30, 1999	June 30, 1999	June 30, 1999	June 30, 1999
Actuarial cost method	Individual Entry Age Normal	Aggregate Cost	Aggregate Entry Age Normal	Aggregate Cost	Entry Age Normal
Amortization method	Level % of Payroll, Closed	None	Level % of Payroll, Closed	None	Level % of Payroll, Open
Remaining amortization period	21 years	None	6 years	None	None
Asset valuation method	Smoothed Market Value	Market Value	Smoothed Market Value	Smoothed Market Value	Expected Value, 33.33% Adjustment to Market Value
Actuarial assumption					
Investment rate of return	8.25 %	7.50 %	7.75 %	7.50 %	8.00 %
Projected salary increase	3.5-17.99	3.75	3.75	3.75	4.25
Includes inflation at	3.50	3.50	3.50	3.50	3.50
Post retirement benefit increases	2 or 3	3.75	3.00	3.50	2.00
Annual pension costs (In millions)					
Year ended 6/30/98	\$ 1,178	\$ 133	\$ 5.4	\$ 2.0	\$ 1,911
Year ended 6/30/99	829	134	7.3	0.0	1,473
Year ended 6/30/00	171	136	7.5	0.0	1,150
Percent contribution					
Year ended 6/30/98	100 %	42 %	102 %	34 %	105 %
Year ended 6/30/99	100	63	101	—	115
Year ended 6/30/00	100	54	100	—	183
Net pension obligation (In millions)					
Year ended 6/30/98	\$ —	\$ 623.0	\$ —	\$ 11.4	\$ —
Year ended 6/30/99	—	673.0	—	10.7	—
Year ended 6/30/00	—	735.2	—	10.3	—
Funding as of last valuation (In millions)					
Actuarial value – assets	\$ 61,233	N/A	\$ 27.2	N/A	\$ 90,001
Actuarial accrued liabilities (AAL) – Entry Age	49,090	N/A	26.9	N/A	86,349
Excess of actuarial value of assets over AAL (EAV)	12,143	N/A	0.3	N/A	3,652
Covered payroll	10,778	N/A	40.0	N/A	17,185
Funded ratio	125 %	N/A	101 %	N/A	104 %
EAV as percent of covered payroll	113 %	N/A	0.6 %	N/A	21 %

**I. University of
California Retirement
System - Discretely
Presented Component
Unit**

The UCRS consists of: the University of California Retirement Plan, a single-employer defined benefit plan funded with University and employee contributions; the Public Employees' Retirement System Voluntary Early Retirement Incentive Program (PERS-VERIP), a defined benefit plan for University employees who elected early retirement under the plan; and two defined contribution plans with several investment portfolios funded with employee non-elective and elective contributions. Most University career employees participate in UCRS.

The University of California Retirement Plan provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California and its affiliates. Membership in the retirement plan is required for all employees appointed to work at least 50% time for a year or more. Generally, five years of service are required to be entitled to plan benefits. The maximum monthly benefit is 100% of the employee's highest average compensation over a 36-month period. The amount of the pension benefit is determined by salary rate, age, and years of service credit with certain cost-of-living adjustments.

Members' contributions are accounted for separately and accrue interest at 6% annually. Upon termination, members can elect a refund of their contributions plus accumulated interest. Vested terminated members who are eligible to retire can also elect a lump sum payment equal to the present value of their accrued benefits. Both actions thereby forfeit the member's rights to further accrued benefits.

The annually determined rates for employer contributions as a percentage of payroll are based on recommendations of the consulting actuary and appropriations received from the primary government.

Employee contributions may be required to be made to the University of California Retirement Plan. The rate of employee contributions is established annually as a percentage of covered wages, pursuant to the Regents' funding policy, recommended and certified by an enrolled, independent actuary and approved by the Regents, the plan's trustee. During the year ended June 30, 2000, employee contributions to the University of California Retirement Plan were redirected to the University of California Defined Contribution Plan.

There were no changes in actuarial assumptions or benefit provisions that significantly affected the actuarial accrued liability or contribution requirements during the year ended June 30, 2000.

The PERS-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to members of the University of California CalPERS program (UC-PERS) who elected early retirement under provisions of the plan. The University contributed to the CalPERS on behalf of these UC-PERS members. The cost of contributions made to the plan is borne entirely by the University and the federal Department of Energy laboratories. Over the five-year period ended June 30, 1996, the University and the federal Department of Energy laboratories were required to make contributions to the plan as determined by the plan's consulting actuary, sufficient to maintain the promised benefits and the qualified status of the plan.

The University of California maintains two defined contribution plans providing savings incentives and additional retirement security for all eligible University employees. The Defined Contribution Plan (the DC Plan) accepts both after-tax and pretax contributions. In addition, the University has established a Tax Deferred 403(b) Plan (the 403(b) Plan). There are no employer contributions to either of these two plans. Participants in the DC Plan and 403(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Treasurer of the Regents of the University. They may also invest contributions in, and transfer plan accumulations to, certain external mutual funds on a custodial plan basis.

The DC Plan pretax contributions are fully vested and are mandatory for all employees who are members of the University of California Retirement Plan. Monthly employee contributions range from approximately 2% to 4% of covered wages depending upon whether wages are above or below the Social Security wage base. The 403(b) Plan and the DC Plan after-tax options are generally available to all University employees. During the year ended June 30, participants contributed \$347 million and \$207 million to the 403(b) Plan and the DC Plan, respectively.

Table 30**Actuarial Information – University of California –
Discretely Presented Component Unit**

June 30, 2000

	University of California Retirement Plan	Voluntary Early Retirement Incentive Plan
Last actuarial valuation	June 30, 2000	June 30, 2000
Actuarial cost method	Entry Age Normal	Unit Credit
Amortization method	Level % of Payroll, Open	N/A
Remaining amortization period	21.8 years	N/A
Asset valuation method	Smoothed Fair Value	Fair Value
Actuarial assumption		
Investment rate of return	7.5 %	7.5 %
Projected salary increase	4.5 to 6.5	—
Includes inflation at	4.00	4.00
Annual pension costs (In millions)		
Year ended 6/30/98	\$ —	\$ —
Year ended 6/30/99	—	—
Year ended 6/30/00	—	—
Percent contribution		
Year ended 6/30/98	N/A	N/A
Year ended 6/30/99	N/A	N/A
Year ended 6/30/00	N/A	N/A
Net pension obligation (In millions)		
Year ended 6/30/98	\$ —	\$ —
Year ended 6/30/99	—	—
Year ended 6/30/00	—	—
Funding as of last valuation (In millions)		
Actuarial value – assets	\$ 37,026	\$ 94.7
Actuarial accrued liabilities (AAL)	24,067	41.9
Excess of actuarial value of assets over AAL (EAV)	12,959	52.8
Covered payroll	5,903	N/A
Funded ratio	154 %	226 %
EAV as percent of covered payroll	220 %	N/A

NOTE 24.**POST-RETIREMENT HEALTH CARE BENEFITS**

Health care and dental benefits are provided by the primary government and certain special purpose authorities, which are discretely presented component units, to annuitants of retirement

systems to which the primary government contributes as an employer. The special purpose authorities' participation in these benefits is not a material portion of the program. To be eligible for these benefits, first-tier plan annuitants must retire on or after attaining age 50 with at least five years of service, and second-tier plan annuitants must retire on or after attaining age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits. As of June 30, approximately 106,100 annuitants were enrolled to receive health benefits and approximately 84,200 annuitants were enrolled to receive dental benefits. In accordance with the Government Code, the primary government generally pays 100% of the health insurance cost for annuitants plus 90% of the additional premium required for the enrollment of family members of annuitants. Although the primary government generally pays 100% of the dental insurance premium for annuitants, the Government Code does not specify the primary government's contribution toward dental insurance costs. The primary government recognizes the cost of providing health and dental insurance to annuitants on a pay-as-you-go basis. The cost of these benefits for the year ended June 30 was approximately \$352 million.

Also, the University of California, a discretely presented component unit, provides certain health plan benefits to retired employees in addition to pension benefits. Employees who meet specific requirements may continue their medical and dental benefits into retirement and continue to receive University of California contributions for those benefits. There are approximately 35,000 retirees currently eligible to receive such benefits. The cost of retiree medical and dental coverage is recognized when paid. The cost of providing medical and dental benefits for retirees and their families and survivors for the year ended June 30 was approximately \$108 million.

NOTE 25.

SUBSEQUENT EVENTS

The following information represents significant events that occurred subsequent to June 30, 2000, but prior to the date of the auditors' report.

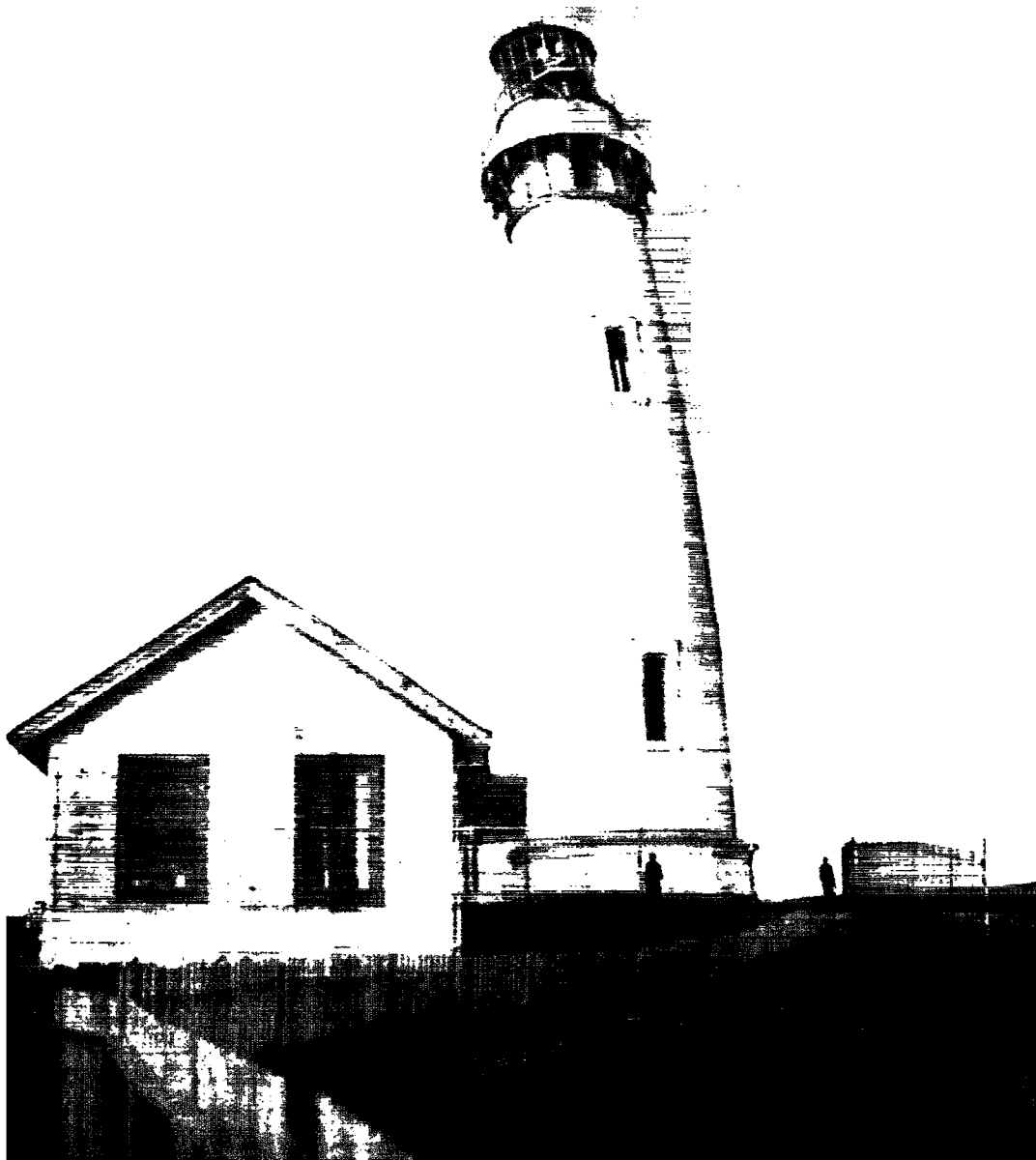
From July 1, 2000, through November 17, 2000, the primary government issued \$1.8 billion in general obligation bonds, \$117 million of which were used to refund existing general obligation bonds and \$1.7 billion of which were used to retire previously issued commercial paper. In addition, the primary government issued approximately \$27 million in revenue bonds. There were no revenue anticipation notes issued during this period.

On September 7, 2000, Standard and Poor's raised its rating on California's General Obligation Bonds from "AA-" to "AA". Moody's also raised its rating on California's General Obligation Bonds from "Aa3" to "Aa2".

In the general election held on November 7, 2000, voters approved the sale of \$500 million in bonds with the passage of Proposition 32, the "Veterans' Bond Act of 2000".

On October 25, 2000, Governor Davis announced that the State's sales tax will be reduced by one-quarter percent for a period of at least one calendar year, effective January 1, 2001. This reduction will result in approximately \$525 million less General Fund revenue in the last half of fiscal year 2000-01 and approximately \$575 million less in the first half of fiscal year 2001-02.

From July 1, 2000, to November 17, 2000, the Regents of the University of California issued approximately \$359 million in revenue bonds and the special purpose authorities, which are discretely presented component units, issued approximately \$916 million in revenue bonds.



Required Supplementary Information

Schedule of Funding Progress ⁽¹⁾

Public Employees' Retirement Fund

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) ((b-a)/c)
June 30, 1997	\$ 44,822	\$ 43,504	\$ (1,318)	103.0 %	\$ 9,102	(14.5) %
June 30, 1998	52,838	46,021	(6,817)	114.8	9,307	(73.2)
June 30, 1999	61,233	49,090	(12,143)	124.7	10,778	(112.7)

Judges' Retirement Fund II

(Amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) or Unfunded Actuarial Accrued Liability -UAAL- (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) or UAAL as a Percent of Covered Payroll ((b-a)/c)
June 30, 1997	\$ 7,242	\$ 7,906	\$ 664	91.6 %	\$ 15,422	4.3 %
June 30, 1998	15,120	15,043	(77)	100.5	33,880	(0.2)
June 30, 1999	27,155	26,921	(234)	100.9	39,959	(0.6)

Notes:

- (1) Actuarial valuations for the Judges' Retirement Fund and the Legislators' Retirement Fund are performed using the aggregate cost valuation method. Required Supplementary Information is not required if the aggregate cost method is used.

Schedule of Funding Progress ⁽¹⁾

State Teachers' Retirement Defined Benefit Program

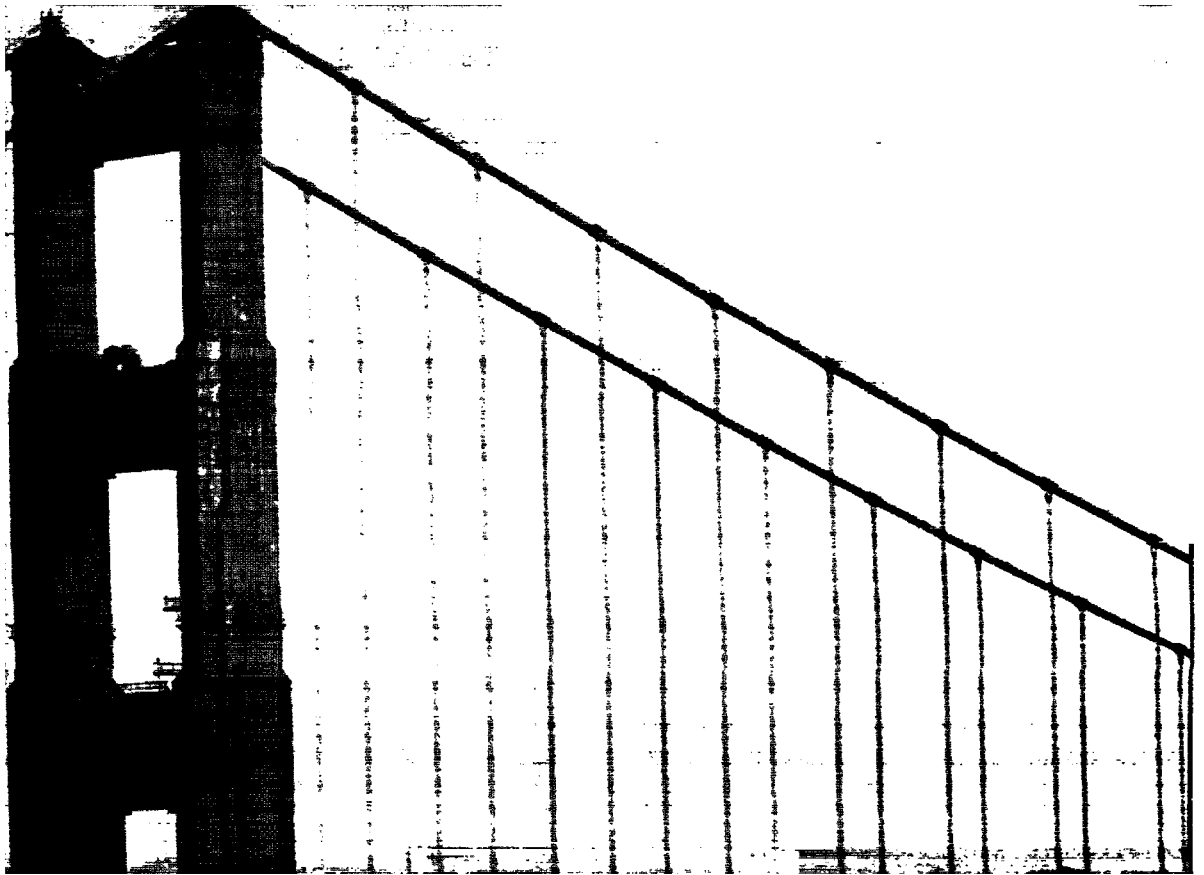
(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) or Unfunded Actuarial Accrued Liability -UAAL- (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) or UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1997	\$ 67,980	\$ 69,852	\$ 1,872	97.3 %	\$ 14,521	12.9 %
June 30, 1998	77,290	74,234	(3,056)	104.1	15,741	(19.4)
June 30, 1999	90,001	86,349	(3,652)	104.2	17,185	(21.3)

University of California Retirement System

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) ((b-a)/c)
June 30, 1998	\$ 27,132	\$ 20,617	\$ (6,515)	131.6 %	\$ 4,960	(131.4) %
June 30, 1999	32,087	22,157	(9,930)	144.8	5,347	(185.7)
June 30, 2000	37,026	24,067	(12,959)	153.8	5,903	(219.5)



Combining Financial Statements and Schedules



Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects or expendable trust funds that are legally restricted to expenditures for specific purposes. A description of major special revenue funds follows:

Federal Fund accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government.

Transportation Construction Fund accounts for gasoline taxes, bond proceeds, and other revenues that are used for highway and passenger rail construction.

Transportation Safety Fund accounts for automobile registration fees and other revenues that are used for transportation safety programs.

Business and Professions Regulatory and Licensing Fund accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the state's natural resources and improving the environmental quality of the state's air, land, and water.

Financing to Local Governments Fund accounts for fees, bond proceeds, and other revenues that are used to finance the construction and maintenance of schools, parks, jails, and other local government assets.

Cigarette and Tobacco Tax Fund accounts for a surtax on cigarette and tobacco products that is used for various health programs.

Local Revenue Fund accounts for a 0.5% state sales tax that is dedicated to local governments for realigning costs from the State to local governments.

Unemployment Programs Fund accounts for transfers from the federal fund, appropriations from the State, penalties, and other revenues which are used to pay for the administration of the Unemployment Insurance Program and other related programs.

Financing to the Public Fund accounts for various fees, bond proceeds, appropriations from the State, and other revenues that provide financing to the public for emergencies, housing, and other programs.

Trial Courts Fund accounts for the various fees collected by the courts, maintenance of effort payments from the counties, transfers in from the General Fund, and the trial court operating costs.

Other Special Revenue Funds account for transactions related to resources obtained from all other specific revenue resources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Special Revenue Funds Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	<u>Federal</u>	<u>Transportation Construction</u>	<u>Transportation Safety</u>	<u>Business and Professions Regulatory and Licensing</u>	<u>Environmental and Natural Resources</u>
ASSETS					
Cash and pooled investments	\$ 364,145	\$ 2,095,126	\$ 535,552	\$ 446,016	\$ 1,412,521
Investments	—	—	—	—	—
Receivables (net)	46,191	38,958	8,997	30,700	117,217
Due from other funds	947,722	1,106,289	110,051	87,769	205,133
Due from other governments	5,127,382	14,149	3,864	41	16,322
Food stamps	401,221	—	—	—	—
Advances and loans receivable	42,321	—	—	4,280	1,619,831
Other assets	—	—	1,737	1	34
Total Assets	\$ 6,928,982	\$ 3,254,522	\$ 660,201	\$ 568,807	\$ 3,371,058
LIABILITIES					
Accounts payable	\$ 540,772	\$ 76,134	\$ 45,755	\$ 38,637	\$ 82,321
Due to other funds	3,501,896	69,317	106,796	71,312	157,498
Due to component units	—	226	—	—	—
Due to other governments	2,311,991	41,288	1,632	11,510	51,062
Deferred revenue	401,221	—	—	—	—
Advances from other funds	—	—	—	—	51,520
Tax overpayments	—	—	—	—	—
Deposits	—	5,093	—	—	4,418
Advance collections	1,020	1,387	937	20,974	26,679
Other liabilities	5,751	67,762	58,255	14,275	5,635
Total Liabilities	6,762,651	261,207	213,375	156,708	379,193
FUND BALANCES					
Reserved for					
Encumbrances	104,624	1,964,761	84,503	38,915	401,164
Advances and loans	42,321	—	—	4,280	1,619,831
Continuing appropriations	—	2,373,339	15,482	14,989	456,025
Total Reserved	146,945	4,338,100	99,985	58,184	2,477,020
Unreserved					
Undesignated (Deficits)	19,386	(1,344,785)	346,841	353,915	514,845
Total Fund Balances (Deficits)	166,331	2,993,315	446,826	412,099	2,991,865
Total Liabilities and Fund Balances ...	\$ 6,928,982	\$ 3,254,522	\$ 660,201	\$ 568,807	\$ 3,371,058

Financing to Local Governments	Cigarette and Tobacco Tax	Local Revenue	Unemployment Programs	Financing to the Public	Trial Courts	Other Special Revenue	Total
\$ 9,289	581,792	\$ 284,969	\$ 269,206	\$ 122,630	\$ 139,737	\$ 704,070	\$ 6,965,053
—	—	—	—	—	181,064	—	181,064
232	61,578	—	48,017	7,468	—	48,316	407,674
39,010	209,439	244,225	595,343	2,363	85,013	140,168	3,772,525
9,603	2	—	2,305	—	48,116	15,234	5,237,018
—	—	—	—	—	—	—	401,221
—	—	—	—	28,767	8,063	—	1,703,262
—	—	—	10,885	—	2,494	2	15,153
\$ 58,134	\$ 852,811	\$ 529,194	\$ 925,756	\$ 161,228	\$ 464,487	\$ 907,790	\$ 18,682,970
\$ 62,391	\$ 97,977	\$ —	\$ 342,378	\$ 2,878	\$ 144,046	\$ 124,431	\$ 1,557,720
19,176	194,453	28,722	61,165	1,661	56,800	59,439	4,328,235
—	103,656	—	—	—	—	5,813	109,695
9,297	15,131	479,835	—	—	12,885	40,349	2,974,980
—	—	—	—	—	234	—	401,455
—	—	—	—	—	3	13,050	64,573
—	—	—	8,082	—	—	—	8,082
—	—	—	—	—	660	7,093	17,264
36	—	18	—	—	—	43,021	94,072
7	—	—	8,159	—	34,698	1,330	195,932
90,907	411,217	508,575	419,784	4,539	249,326	294,526	9,752,008
99,322	37,306	—	422,373	1	16,111	71,121	3,240,201
—	—	—	—	28,767	8,063	—	1,703,262
414,637	286,531	100	—	93,106	58,421	28,233	3,740,863
513,959	323,837	100	422,373	121,874	82,595	99,354	8,684,326
(546,732)	117,757	20,519	83,599	34,815	132,566	513,910	246,636
(32,773)	441,594	20,619	505,972	156,689	215,161	613,264	8,930,962
\$ 58,134	\$ 852,811	\$ 529,194	\$ 925,756	\$ 161,228	\$ 464,487	\$ 907,790	\$ 18,682,970

Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2000

(Amounts in thousands)

	Federal	Transportation Construction	Transportation Safety	Business and Professions Regulatory and Licensing	Environmental and Natural Resources
REVENUES					
Taxes	\$ —	\$ 2,097,958	\$ —	\$ 46,330	\$ 226,626
Intergovernmental	30,008,527	—	—	—	—
Licenses and permits	—	754,094	1,304,701	96,624	152,096
Natural resources	—	—	—	—	79,407
Charges for services	—	123,228	313,214	5,337	60,842
Fees and penalties	2,078	—	58,110	429,843	873,791
Investment and interest	2,419	146,149	21,471	20,940	76,098
Other	—	110,954	4,819	21,057	137,863
Total Revenues	30,013,024	3,232,383	1,702,315	620,131	1,606,723
EXPENDITURES					
Current					
General government	989,910	4,887	14,808	300,941	20,126
Education	4,013,612	—	1,069	12,796	782
Health and human services	21,075,243	—	2,206	24,505	28,567
Resources	137,703	11	70,827	1,922	1,303,189
State and consumer services	5,227	—	81,130	170,081	8,017
Business and transportation	2,036,272	2,893,471	1,373,132	103,222	122,841
Correctional programs	206,186	—	—	—	—
Capital outlay	—	184,190	—	—	10,543
Debt service					
Principal retirement	—	—	—	—	13,198
Interest and fiscal charges	—	17,696	—	—	21,126
Total Expenditures	28,464,153	3,100,255	1,543,172	613,467	1,528,389
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,548,871	132,128	159,143	6,664	78,334
OTHER FINANCING SOURCES (USES)					
Proceeds from general obligation bonds,					
commercial paper, and capital leases	—	428,185	—	—	301,073
Operating transfers in	4,003	252,905	132,281	33,529	152,445
Operating transfers out	(1,630,784)	(398,612)	(217,007)	(7,032)	(143,633)
Transfers out — component units	—	(956)	—	—	—
Payment to refund commercial paper	—	(200,500)	—	—	(119,500)
Net Other Financing Sources (Uses)	(1,626,781)	81,022	(84,726)	26,497	190,385
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses ...	(77,910)	213,150	74,417	33,161	268,719
Fund Balances, July 1, 1999	244,241	2,780,165	372,409	378,938	2,723,146
Fund Balances (Deficits), June 30, 2000	\$ 166,331	\$ 2,993,315	\$ 446,826	\$ 412,099	\$ 2,991,865

Financing to Local Governments	Cigarette and Tobacco Tax	Local Revenue	Unemployment Programs	Financing to the Public	Trial Courts	Other Special Revenue	Total
\$ 19,936	\$ 1,087,458	\$ 2,132,533	\$ 91,809	\$ —	\$ 643	\$ 145	\$ 5,703,438
—	—	—	—	—	908,593	621,696	31,538,816
3,231	—	829,028	—	—	270	60,271	3,200,315
—	—	—	—	—	—	—	79,407
1,258	—	—	—	—	10,991	160,464	675,334
38	—	—	99,833	—	20,766	444,827	1,929,286
52,433	35,120	17,662	14,424	4,628	15,458	28,418	435,220
2,010	146	—	4,075	4,810	107,632	57,802	451,168
<u>78,906</u>	<u>1,122,724</u>	<u>2,979,223</u>	<u>210,141</u>	<u>9,438</u>	<u>1,064,353</u>	<u>1,373,623</u>	<u>44,012,984</u>
757	2,805	415	(7)	1,217	1,950,318	460,328	3,746,505
2,043,590	38,351	—	—	—	—	41,864	6,152,064
—	1,047,384	2,972,749	1,351,835	12	—	860,892	27,363,393
24,321	19,644	—	—	—	—	38,132	1,595,749
615	—	—	—	2,056	284	128,666	396,076
492	—	—	1,271	5,768	—	17,811	6,554,280
3,096	—	—	—	—	—	16,178	225,460
118,418	—	—	—	—	8,395	—	321,546
—	—	—	—	—	9,622	—	22,820
42,459	—	—	—	—	1,218	—	82,499
<u>2,233,748</u>	<u>1,108,184</u>	<u>2,973,164</u>	<u>1,353,099</u>	<u>9,053</u>	<u>1,969,837</u>	<u>1,563,871</u>	<u>46,460,392</u>
<u>(2,154,842)</u>	<u>14,540</u>	<u>6,059</u>	<u>(1,142,958)</u>	<u>385</u>	<u>(905,484)</u>	<u>(190,248)</u>	<u>(2,447,408)</u>
4,282,518	—	—	—	—	—	—	5,011,776
15,971	723,492	501	1,244,301	40,000	927,379	307,441	3,834,248
(2,634)	(818,652)	16,498	(68,016)	(2,010)	(482)	(48,900)	(3,321,264)
(55,998)	(53,432)	—	—	—	—	—	(110,386)
(2,078,380)	—	—	—	—	—	—	(2,398,380)
<u>2,161,477</u>	<u>(148,592)</u>	<u>16,999</u>	<u>1,176,285</u>	<u>37,990</u>	<u>926,897</u>	<u>258,541</u>	<u>3,015,994</u>
6,635	(134,052)	23,058	33,327	38,375	21,413	68,293	568,586
(39,408)	575,646	(2,439)	472,645	118,314	193,748	544,971	8,362,376
<u>\$ (32,773)</u>	<u>\$ 441,594</u>	<u>\$ 20,619</u>	<u>\$ 505,972</u>	<u>\$ 156,689</u>	<u>\$ 215,161</u>	<u>\$ 613,264</u>	<u>\$ 8,930,962</u>



Capital Projects Funds

Capital Projects Funds are used to account for the financial resources used for the acquisition or construction of major state-owned capital facilities and for capital assistance grants to local governments and public authorities. A brief description of major capital projects funds follows:

Prison Construction Fund accounts for bond proceeds that are used to construct state prisons.

Higher Education Construction Fund accounts for state land royalties and bond proceeds used for the construction of state colleges and universities.

Natural Resources Acquisition and Enhancement Fund accounts for bond proceeds and various revenues that are used to acquire or improve state parks, beaches, and other recreational areas.

Building Authorities are blended component units that are created by joint powers agreements between the State and local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

The *California State University* authority is an agreement with the Trustees of the California State University.

The *East Bay* authority is an agreement with the City of Oakland.

The *Los Angeles* authority is an agreement with the Community Redevelopment Agency of the City of Los Angeles.

The *San Francisco* authority is an agreement with the San Francisco Redevelopment Agency of the City and County of San Francisco.

The *Oakland* authority is an agreement with the Oakland Redevelopment Agency.

The *Riverside* authority is an agreement with the County of Riverside and the Riverside County Redevelopment Agency.

The *San Bernardino* authority is an agreement with the City of San Bernardino and the Redevelopment Agency of the City of San Bernardino.

Other Capital Projects Funds account for transactions related to resources obtained and used to acquire or construct other major capital facilities.

Capital Projects Funds

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Prison Construction	Higher Education Construction	Natural Resources Acquisition and Enhancement	California State University
ASSETS				
Cash and pooled investments	\$ 1,861	\$ —	\$ 46,340	\$ 4,909
Investments	—	—	—	—
Receivables (net)	10	95	—	—
Due from other funds	172	1,914	13,307	82
Other assets	—	—	—	—
Total Assets	\$ 2,043	\$ 2,009	\$ 59,647	\$ 4,991
LIABILITIES				
Accounts payable	\$ 511	\$ 5,238	\$ 969	\$ 4
Due to other funds	195	5,586	243	25
Due to other governments	—	1,290	65	—
Advance collections	—	—	121	2,682
Interest payable	—	—	—	507
Total Liabilities	706	12,114	1,398	3,218
FUND BALANCES				
Reserved for				
Encumbrances	6,328	22,994	14,991	—
Continuing appropriations	2,562	152	39,042	—
Total Reserved	8,890	23,146	54,033	—
Unreserved				
Undesignated (Deficits)	(7,553)	(33,251)	4,216	1,773
Total Fund Balances (Deficits)	1,337	(10,105)	58,249	1,773
Total Liabilities and Fund Balances	\$ 2,043	\$ 2,009	\$ 59,647	\$ 4,991

Building Authorities						Other Capital Projects	Total
East Bay	Los Angeles	San Francisco	Oakland	Riverside	San Bernardino		
\$ 14,785	\$ 14,253	\$ 50,954	\$ 15,965	\$ 2,773	\$ 6,942	\$ —	\$ 158,782
—	8,205	—	—	—	—	—	8,205
—	175	—	—	—	—	—	280
6,052	19,678	16,839	6,143	578	2,707	400	67,872
—	—	—	2	—	—	—	2
<u>\$ 20,837</u>	<u>\$ 42,311</u>	<u>\$ 67,793</u>	<u>\$ 22,110</u>	<u>\$ 3,351</u>	<u>\$ 9,649</u>	<u>\$ 400</u>	<u>\$ 235,141</u>
\$ —	\$ —	\$ —	\$ —	\$ 177	\$ 192	\$ 102	\$ 7,193
—	489	27	—	—	—	3,458	10,023
—	—	—	—	—	—	—	1,355
—	4	—	—	—	—	—	2,807
20,032	2,026	2,034	1,889	167	266	—	26,921
<u>20,032</u>	<u>2,519</u>	<u>2,061</u>	<u>1,889</u>	<u>344</u>	<u>458</u>	<u>3,560</u>	<u>48,299</u>
—	—	—	—	—	—	78,214	122,527
—	—	—	—	—	—	1,415	43,171
—	—	—	—	—	—	79,629	165,698
805	39,792	65,732	20,221	3,007	9,191	(82,789)	21,144
<u>805</u>	<u>39,792</u>	<u>65,732</u>	<u>20,221</u>	<u>3,007</u>	<u>9,191</u>	<u>(3,160)</u>	<u>186,842</u>
<u>\$ 20,837</u>	<u>\$ 42,311</u>	<u>\$ 67,793</u>	<u>\$ 22,110</u>	<u>\$ 3,351</u>	<u>\$ 9,649</u>	<u>\$ 400</u>	<u>\$ 235,141</u>

Capital Projects Funds

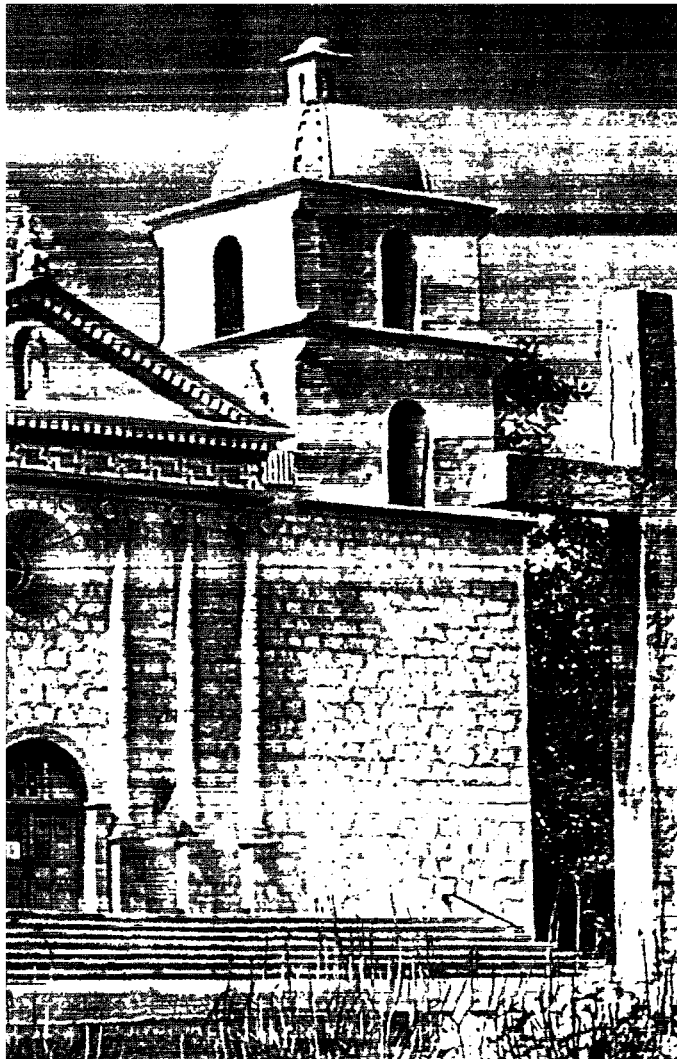
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2000

(Amounts in thousands)

	Prison Construction	Higher Education Construction	Natural Resources Acquisition and Enhancement	California State University
REVENUES				
Licenses and Permits	\$ —	\$ —	\$ 750	\$ —
Investment and interest	372	9,558	135	206
Other	1	—	557	—
Total Revenues	373	9,558	1,442	206
EXPENDITURES				
Current				
General government	—	—	—	—
Education	—	—	—	6
Resources	—	—	2,246	—
State and consumer services	—	—	—	—
Business and transportation	—	—	—	—
Capital outlay	5,304	220,830	8,463	1,259
Debt service				
Principal retirement	—	—	—	—
Interest and fiscal charges	307	8,101	55	1,508
Total Expenditures	5,611	228,931	10,764	2,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,238)	(219,373)	(9,322)	(2,567)
OTHER FINANCING SOURCES (USES)				
Proceeds from general obligation bonds and commercial paper	6,028	568,710	—	—
Proceeds from revenue bonds	—	—	—	—
Operating transfers in	420	770	25,418	2,664
Operating transfers out	(419)	—	—	—
Transfers out – component units	—	(13,074)	—	—
Payment to refund commercial paper	—	(287,120)	—	—
Net Other Financing Sources (Uses)	6,029	269,286	25,418	2,664
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	791	49,913	16,096	97
Fund Balances (Deficits), July 1, 1999	546	(60,018)	42,153	1,676
Fund Balances (Deficits), June 30, 2000	\$ 1,337	\$ (10,105)	\$ 58,249	\$ 1,773

Building Authorities						Other	
East Bay	Los Angeles	San Francisco	Oakland	Riverside	San Bernardino	Capital Projects	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 750
838	1,304	3,051	1,098	171	401	1,332	18,466
2,368	19,793	568	1,313	—	—	418	25,018
<u>3,206</u>	<u>21,097</u>	<u>3,619</u>	<u>2,411</u>	<u>171</u>	<u>401</u>	<u>1,750</u>	<u>44,234</u>
—	—	—	—	2	15	—	17
—	—	—	—	—	—	—	6
—	—	—	—	—	—	—	2,246
—	—	—	—	—	—	9,039	9,039
42	—	—	—	—	—	—	42
7	8,718	6,811	5,084	1,060	118	48,148	305,802
7,297	9,445	10,445	3,695	—	1,600	—	32,482
6,067	10,268	20,032	7,676	676	3,354	1,100	59,144
<u>13,413</u>	<u>28,431</u>	<u>37,288</u>	<u>16,455</u>	<u>1,738</u>	<u>5,087</u>	<u>58,287</u>	<u>408,778</u>
<u>(10,207)</u>	<u>(7,334)</u>	<u>(33,669)</u>	<u>(14,044)</u>	<u>(1,567)</u>	<u>(4,686)</u>	<u>(56,537)</u>	<u>(364,544)</u>
—	—	—	—	—	—	97,611	672,349
—	59,045	—	—	—	—	—	59,045
9,554	22,774	34,081	12,628	833	2,448	3,192	114,782
—	—	—	—	—	—	—	(419)
—	—	—	—	—	—	—	(13,074)
—	—	—	—	—	—	(50,000)	(337,120)
<u>9,554</u>	<u>81,819</u>	<u>34,081</u>	<u>12,628</u>	<u>833</u>	<u>2,448</u>	<u>50,803</u>	<u>495,563</u>
(653)	74,485	412	(1,416)	(734)	(2,238)	(5,734)	131,019
1,458	(34,693)	65,320	21,637	3,741	11,429	2,574	55,823
<u>\$ 805</u>	<u>\$ 39,792</u>	<u>\$ 65,732</u>	<u>\$ 20,221</u>	<u>\$ 3,007</u>	<u>\$ 9,191</u>	<u>\$ (3,160)</u>	<u>\$ 186,842</u>



Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. A brief description of major enterprise funds follows:

Housing Loan Fund accounts for contracts for the sale of properties to California veterans and California National Guard members, and program loans to finance the housing needs of persons and families of low and moderate income.

Water Resources Fund accounts for charges to local water districts and the sale of excess power to public utilities.

School Building Aid Fund accounts for loans to school districts for acquisition, construction, or rehabilitation of classroom facilities, and for income from the rental of portable classrooms to school districts.

Toll Facilities Fund accounts for fees collected for crossing state toll bridges, except for the fees administered by the Bay Area Toll Authority.

California State University Fund accounts for charges to students for housing and parking and student fees for campus unions, health centers, and self-supporting educational programs.

Leasing of Public Assets Fund accounts for rental charges from the lease of public assets.

State Lottery Fund accounts for the sale of lottery tickets.

Health Facilities Construction Loan Insurance Fund accounts for an insurance program for health facility construction loans.

Public Employees' Benefits Fund accounts for contributions and premiums for public employee long-term care plans and administration of a deferred compensation program.

Other Enterprise Funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Enterprise Funds

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Housing Loan	Water Resources	School Building Aid
ASSETS			
Cash and pooled investments	\$ 244,033	\$ 393,736	\$ 56,440
Investments	731,386	72,881	—
Receivables (net)	20,621	8,724	—
Due from other funds	15,200	71,640	—
Due from other governments	—	112,369	71
Prepaid items	—	6,119	—
Inventories, at cost	—	7,304	—
Net investment in direct financing leases	—	—	—
Advances and loans receivable	2,433,559	64,950	136,222
Deferred charges	25,034	811,396	—
Fixed assets	7,400	3,208,535	61,159
Other assets	14,647	—	—
Total Assets	\$ 3,491,880	\$ 4,757,654	\$ 253,892
LIABILITIES			
Accounts payable	\$ 1	\$ 41,790	\$ 845
Due to other funds	2,012	18,138	—
Due to other governments	—	59,404	—
Advances from other funds	32,258	—	—
Benefits payable	39,051	—	—
Deposits	51	—	—
Lottery prizes and annuities	—	—	—
Compensated absences payable	—	11,994	—
Commercial paper	—	28,117	—
Advance collections	—	213,252	—
General obligation bonds payable	2,528,330	944,230	1,250
Revenue bonds payable	505,815	2,412,642	—
Interest payable	71,785	23,931	—
Other liabilities	17,342	311	—
Total Liabilities	3,196,645	3,753,809	2,095
FUND EQUITY			
Contributed capital	—	181,654	—
Retained earnings			
Reserved for regulatory requirements	—	—	—
Unreserved (Deficit)	295,235	822,191	251,797
Total Retained Earnings	295,235	822,191	251,797
Total Fund Equity	295,235	1,003,845	251,797
Total Liabilities and Fund Equity	\$ 3,491,880	\$ 4,757,654	\$ 253,892

Toll Facilities	California State University	Leasing of Public Assets	State Lottery	Health Facilities Construction Loan Insurance	Public Employees' Benefits	Other Enterprise	Total
\$ 25,035	\$ 508,472	\$ 454,962	\$ 259,201	\$ 152,574	\$ 2,178	\$ 339,184	\$ 2,435,815
—	—	161,768	2,829,227	—	548,743	—	4,344,005
2,679	7,699	—	113,580	12	443	3,031	156,789
4,081	25,628	131,733	12,451	4,510	69	20,281	285,593
—	2	—	—	—	711	10,311	123,464
1,050	—	—	369	—	—	16	7,554
—	—	—	4,376	—	—	2,771	14,451
—	—	4,900,655	—	—	—	—	4,900,655
2,887	—	—	—	80,197	—	246,709	2,964,524
1,157	—	53,250	3,935	—	—	—	894,772
588,501	840,152	98,398	37,390	7,527	—	960	4,850,022
276	37	—	—	—	—	365	15,325
\$ 625,666	\$ 1,381,990	\$ 5,800,766	\$ 3,260,529	\$ 244,820	\$ 552,144	\$ 623,628	\$ 20,992,969
\$ 41	\$ 19,253	\$ 23,683	\$ 21,922	\$ 579	\$ —	\$ 16,981	\$ 125,095
9,067	18,718	15,534	223,998	159	1,030	6,446	295,102
2,063	—	979	—	—	—	104,102	166,548
—	—	—	—	—	—	2,500	34,758
—	—	—	—	—	528,249	—	567,300
1,627	878	—	113	—	—	365	3,034
—	—	—	2,828,358	—	—	—	2,828,358
—	14,852	—	5,336	—	—	—	32,182
—	—	—	—	—	—	—	28,117
—	30,908	32,452	1,857	45	—	247	278,761
—	—	—	—	—	—	39,590	3,513,400
—	582,933	5,491,892	—	—	—	—	8,993,282
—	5,972	59,643	—	—	—	—	161,331
472	423	—	178,945	187,360	5,450	186	390,489
13,270	673,937	5,624,183	3,260,529	188,143	534,729	170,417	17,417,757
—	17,202	—	—	—	—	97,628	296,484
—	242,531	—	—	—	—	—	242,531
612,396	448,320	176,583	—	56,677	17,415	355,583	3,036,197
612,396	690,851	176,583	—	56,677	17,415	355,583	3,278,728
612,396	708,053	176,583	—	56,677	17,415	453,211	3,575,212
\$ 625,666	\$ 1,381,990	\$ 5,800,766	\$ 3,260,529	\$ 244,820	\$ 552,144	\$ 623,628	\$ 20,992,969

Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings

Year Ended June 30, 2000

(Amounts in thousands)

	Housing Loan	Water Resources	School Building Aid
OPERATING REVENUES			
Lottery ticket sales	\$ —	\$ —	\$ —
Services and sales	10,247	689,705	—
Investment and interest	228,703	—	—
Rent	—	—	25,099
Other	2,403	—	—
Total Operating Revenues	241,353	689,705	25,099
OPERATING EXPENSES			
Lottery prizes	—	—	—
Personal services	12,241	166,969	3,592
Supplies	—	—	—
Services and charges	22,026	202,774	6,600
Depreciation	1,094	75,352	3,720
Interest expense	193,495	—	225
Amortization of deferred charges	—	79,203	—
Total Operating Expenses	228,856	524,298	14,137
Operating Income (Loss)	12,497	165,407	10,962
NONOPERATING REVENUES (EXPENSES)			
Grants received	—	—	—
Grants provided	—	—	—
Investment and interest income	1,477	7,491	—
Interest expense and fiscal charges	—	(175,299)	—
Lottery payments for education	—	—	—
Other	(7,444)	(12,975)	—
Total Nonoperating Revenues (Expenses)	(5,967)	(180,783)	—
Income (Loss) Before Operating Transfers	6,530	(15,376)	10,962
OPERATING TRANSFERS			
Operating transfers in	2,115	—	—
Operating transfers out	(2,115)	—	(20,733)
Total Operating Transfers	—	—	(20,733)
Net Income (Loss)	6,530	(15,376)	(9,771)
Retained Earnings, July 1, 1999	288,705	837,567	261,568
Retained Earnings, June 30, 2000	\$ 295,235	\$ 822,191	\$ 251,797

Toll Facilities	California State University	Leasing of Public Assets	State Lottery	Health Facilities		Public Employees' Benefits	Other Enterprise	Total
				Construction	Loan Insurance			
\$ —	\$ —	\$ —	\$ 2,598,379	\$ —	\$ —	\$ —	\$ —	\$ 2,598,379
6,991	210,923	—	—	27,452	152,423	95,716	—	1,193,457
—	284	34,434	—	—	—	1,161	—	264,582
—	—	362,228	—	—	—	—	—	387,327
—	6,904	17,084	—	—	1,312	22,973	—	50,676
6,991	218,111	413,746	2,598,379	27,452	153,735	119,850	—	4,494,421
—	—	—	1,369,435	—	—	—	—	1,369,435
2,922	109,706	—	36,976	1,368	—	6,859	—	340,633
8	—	—	74,850	—	—	—	—	74,858
1,006	101,590	77,550	223,810	29,241	240,131	111,447	—	1,016,175
18,503	—	—	6,155	488	—	18	—	105,330
—	—	314,224	—	—	—	3,255	—	511,199
429	—	5,830	1,391	—	—	—	—	86,853
22,868	211,296	397,604	1,712,617	31,097	240,131	121,579	—	3,504,483
(15,877)	6,815	16,142	885,762	(3,645)	(86,396)	(1,729)	—	989,938
—	267	—	—	—	—	—	—	267
(41,813)	—	—	—	—	—	—	—	(41,813)
2,563	26,444	—	21,390	8,490	34,455	14,222	—	116,532
—	(32,215)	—	—	—	—	(9)	—	(207,523)
—	—	—	(907,305)	—	—	—	—	(907,305)
—	—	—	153	—	—	—	—	(20,266)
(39,250)	(5,504)	—	(885,762)	8,490	34,455	14,213	—	(1,060,108)
(55,127)	1,311	16,142	—	4,845	(51,941)	12,484	—	(70,170)
3,612	24,966	1,641	—	—	—	—	—	32,334
—	(38,466)	(1,641)	—	—	—	(1,609)	—	(64,564)
3,612	(13,500)	—	—	—	—	(1,609)	—	(32,230)
(51,515)	(12,189)	16,142	—	4,845	(51,941)	10,875	—	(102,400)
663,911	703,040	160,441	—	51,832	69,356	344,708	—	3,381,128
\$ 612,396	\$ 690,851	\$ 176,583	\$ —	\$ 56,677	\$ 17,415	\$ 355,583	\$ —	\$ 3,278,728

Enterprise Funds

Combining Statement of Cash Flows

Year Ended June 30, 2000

(Amounts in thousands)

	Housing Loan	Water Resources	School Building Aid
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 12,497	\$ 165,407	\$ 10,962
ADJUSTMENTS TO RECONCILE OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY OPERATIONS			
Interest expense on operating debt	—	—	—
Depreciation	1,094	75,352	3,720
Accretion of capital appreciation bonds	—	—	—
Provisions and allowances	—	—	—
Accrual of deferred charges	—	—	—
Amortization of deferred credits	—	(3,798)	—
Amortization of discounts	—	—	—
Amortization of deferred charges	—	79,203	—
Collection of principal from program loans	(125)	—	—
Other	(7,260)	—	—
Change in assets and liabilities			
Receivables	(12,283)	(2,072)	—
Due from other funds	(4,475)	147	—
Due from other governments	—	(52,543)	(25)
Prepaid items	—	(648)	—
Inventories	—	857	—
Net investment in direct financing leases	—	—	—
Advances and loans receivable	(390,668)	—	23,825
Other assets	6,384	—	—
Accounts payable	1	6,775	841
Interest payable	21,809	—	—
Due to other funds	1,606	(16,560)	—
Due to other governments	—	(3,509)	—
Benefits payable	(4,102)	—	—
Deposits	1	—	—
Lottery prizes and annuities	—	—	—
Contracts and notes payable	—	—	—
Compensated absences payable	—	(616)	—
Advance collections	—	(2,894)	—
Other liabilities	10,948	(352)	—
Total Adjustments	(377,070)	79,342	28,361
Net Cash Provided by (Used In) Operating Activities	(364,573)	244,749	39,323

Toll Facilities	California State University	Leasing of Public Assets	State Lottery	Health Facilities Construction Loan Insurance	Public Employees' Benefits	Other Enterprise	Total
\$ (15,877)	\$ 6,815	\$ 16,142	\$ 885,762	\$ (3,645)	\$ (86,396)	\$ (1,729)	\$ 989,938
—	—	(1,654)	—	—	—	—	(1,654)
18,503	—	—	6,155	488	—	18	105,330
—	—	10,344	—	—	—	—	10,344
—	—	—	5,573	—	—	—	5,573
—	—	(3,631)	—	—	—	—	(3,631)
—	—	—	—	—	—	—	(3,798)
—	—	1,604	—	—	—	—	1,604
429	—	5,830	1,391	—	—	—	86,853
—	—	—	—	—	—	—	(125)
—	—	4,791	(1,139)	—	—	(1)	(3,609)
337	3,018	402	(13,218)	242	16	(707)	(24,265)
(2,918)	(2,659)	2,875	(910)	(623)	(31)	(8,580)	(17,174)
—	113	—	—	—	(276)	4,519	(48,212)
—	—	—	(66)	—	—	—	(714)
—	—	—	431	—	—	(92)	1,196
—	—	185,528	—	—	—	—	185,528
—	—	—	—	(13,120)	—	(12,287)	(392,250)
(8)	—	—	—	—	—	—	6,376
(175)	(2,879)	17,044	(3,406)	(4,145)	—	(5,561)	8,495
—	—	—	—	—	—	—	21,809
(8,188)	1,207	(86)	(2)	(59)	155	1,666	(20,261)
(3,523)	—	—	—	(3)	—	24,134	17,099
—	—	—	—	—	215,614	1,870	213,382
190	65	—	(944)	—	—	—	(688)
—	—	—	(234,108)	—	—	—	(234,108)
—	(585)	—	—	—	—	—	(585)
—	4,101	—	—	(160)	—	(437)	2,888
—	(1,647)	7,713	577	(238)	—	(60)	3,451
24	(154)	5,434	1,805	5,854	(138)	30	23,451
4,671	580	236,194	(237,861)	(11,764)	215,340	4,512	(57,695)
(11,206)	7,395	252,336	647,901	(15,409)	128,944	2,783	932,243

(Continued)

Enterprise Funds

Combining Statement of Cash Flows

Year Ended June 30, 2000

(Amounts in thousands)

	Housing Loan	Water Resources	School Building Aid
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	10,186	—	—
Collection of advances and loans	—	—	—
Return of advances from other funds	—	—	—
Proceeds from revenue bonds	117,200	—	—
Retirement of general obligation bonds	(159,060)	—	(1,250)
Retirement of revenue bonds	(15,600)	—	—
Operating transfers in	2,115	—	—
Operating transfers out	(2,115)	—	(20,733)
Grants provided	—	—	—
Lottery payments for education	—	—	—
Net Cash Provided by (Used In) Noncapital Financing Activities	(47,274)	—	(21,983)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Unamortized water project costs	—	6,321	—
Acquisition of fixed assets	(916)	(23,965)	—
Proceeds from sale of fixed assets	—	—	—
Advances from other funds	—	—	—
Advances and loans provided	—	—	—
Collection of advances and loans	—	4,910	—
Return of advances from other funds	—	—	—
Proceeds from notes payable and commercial paper	—	13,753	—
Retirement of general obligation bonds	—	(39,900)	—
Proceeds from revenue bonds	—	—	—
Retirement of revenue bonds	—	(42,030)	—
Interest paid	—	(177,246)	—
Contributed capital	—	—	—
Grants received	—	—	—
Operating transfers in	—	—	—
Operating transfers out	—	—	—
Net Cash Provided by (Used In) Capital and Related Financing Activities	(916)	(258,157)	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(9,995)	—	—
Proceeds from maturity and sale of investments	407,413	—	—
Earnings on investments	1,476	9,637	—
Net Cash Provided by (Used In) Investing Activities	398,894	9,837	—
Net Increase (Decrease) in Cash and Pooled Investments	(13,869)	(3,571)	17,340
Cash and Pooled Investments at July 1, 1999	257,902	397,307	39,100
Cash and Pooled Investments at June 30, 2000	\$ 244,033	\$ 393,736	\$ 56,440

Toll Facilities	California State University	Leasing of Public Assets	State Lottery	Health Facilities Construction Loan Insurance	Public Employees' Benefits	Other Enterprise	Total
—	—	—	—	—	—	—	10,186
13,915	—	—	—	—	—	—	13,915
(6,160)	—	—	—	—	—	—	(6,160)
—	—	—	—	—	—	—	117,200
—	—	—	—	—	—	(2,505)	(162,815)
—	—	—	—	—	—	—	(15,600)
3,612	22,320	—	—	—	—	—	28,047
—	(29,801)	—	—	—	—	(1,609)	(54,258)
(41,813)	—	—	—	—	—	—	(41,813)
—	—	—	(975,825)	—	—	—	(975,825)
(30,446)	(7,481)	—	(975,825)	—	—	(4,114)	(1,087,123)
—	—	—	—	—	—	—	6,321
(14,307)	(58,116)	(136,296)	(2,069)	(6)	—	(10)	(235,685)
—	—	—	63	—	—	—	63
—	—	372,605	—	—	—	—	372,605
—	—	—	—	—	—	(9,580)	(9,580)
—	239	—	—	—	—	6,793	11,942
—	—	(366,522)	—	—	—	(1,732)	(368,254)
—	—	—	—	—	—	—	13,753
—	—	—	—	—	—	—	(39,900)
—	62,072	234,190	—	—	—	—	296,262
—	(24,224)	(267,083)	—	—	—	—	(333,337)
—	(30,484)	—	—	—	—	(9)	(207,739)
—	—	—	—	—	—	48,827	48,827
—	267	—	—	—	—	—	267
—	2,666	1,641	—	—	—	—	4,307
—	(8,441)	(1,641)	—	—	—	—	(10,082)
(14,307)	(56,021)	(163,106)	(2,006)	(6)	—	44,289	(450,230)
—	—	(135,448)	(50,186)	—	(162,164)	—	(357,793)
—	—	82,800	342,205	—	—	6,242	838,660
2,563	24,827	—	18,956	8,490	34,455	14,223	114,827
2,563	24,827	(52,648)	310,975	8,490	(127,709)	20,465	595,694
(53,396)	(31,280)	36,582	(18,955)	(6,925)	1,235	63,423	(9,416)
78,431	539,752	418,380	278,156	159,499	943	275,761	2,445,231
\$ 25,035	\$ 508,472	\$ 454,962	\$ 259,201	\$ 152,574	\$ 2,178	\$ 339,184	\$ 2,435,815

(Concluded)



Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. A brief description of the major internal service funds follows:

Architecture Revolving Fund accounts for charges for the costs of architectural services, construction, and improvements.

Service Revolving Fund accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

Prison Industries Fund accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

Stephen P. Teale Data Center Fund accounts for charges for data processing services performed for various state departments by the Stephen P. Teale Data Center.

Health and Human Services Agency Data Center Fund accounts for charges for data processing services performed for various state departments by the Health and Human Services Agency Data Center.

Water Resources Revolving Fund accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Public Employees' Health Care Fund accounts for employer and employee contributions that pay benefits, claims costs, and administrative costs of self-funded or minimum premium health benefit plans.

Equipment Service Fund accounts for the purchase, maintenance, and administration costs of equipment used by the Department of Transportation.

Other Internal Service Funds account for all other goods or services provided to other agencies, departments, or governments on a cost reimbursement basis.

Internal Service Funds

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Architecture Revolving	Service Revolving	Prison Industries
ASSETS			
Cash and pooled investments	\$ 69,778	\$ 41,131	\$ 58,664
Investments	—	—	—
Receivables (net)	3,858	776	904
Due from other funds	50,000	92,561	10,658
Due from other governments	—	2,896	751
Prepaid items	257	19,347	440
Inventories, at cost	—	15,651	48,396
Fixed assets	1,111	100,756	70,760
Other assets	—	3,787	27
Total Assets	\$ 125,004	\$ 276,905	\$ 190,600
LIABILITIES			
Accounts payable	\$ 24,879	\$ 24,144	\$ 12,732
Due to other funds	1,716	135,458	3,037
Due to other governments	—	—	—
Advances from other funds	—	—	—
Benefits payable	—	—	—
Deposits	—	2,204	—
Contracts and notes payable	—	14,168	—
Compensated absences payable	1,262	20,571	6,358
Capital lease obligations	—	10,959	—
Advance collections	95,086	2,722	585
Other liabilities	5,399	9,298	7,789
Total Liabilities	128,342	219,524	30,501
FUND EQUITY			
Contributed capital	—	—	110,722
Retained earnings			
Unreserved (Deficit)	(3,338)	57,381	49,377
Total Retained Earnings (Deficit)	(3,338)	57,381	49,377
Total Fund Equity (Deficit)	(3,338)	57,381	160,099
Total Liabilities and Fund Equity	\$ 125,004	\$ 276,905	\$ 190,600

Stephen P . Teale Data Center	Health and Human Services Agency Data Center	Water Resources Revolving	Public Employees' Health Care	Equipment Service	Other Internal Service	Total
\$ 17,102	\$ 20,083	\$ 2,148	\$ 39,263	\$ 29,743	\$ 23,625	\$ 301,537
—	—	—	143,691	—	—	143,691
289	3,525	1,012	478	—	377	11,219
11,151	73,966	40,551	2,731	1,249	109	282,976
—	410	7	9,773	—	—	13,837
6	4,710	3,390	—	—	2,539	30,689
—	—	—	—	29,416	—	93,463
59,636	30,385	23,951	—	223,647	2,451	512,697
2,599	3,528	451	—	—	—	10,392
\$ 90,783	\$ 136,607	\$ 71,510	\$ 195,936	\$ 284,055	\$ 29,101	\$ 1,400,501
\$ 7,194	\$ 28,574	\$ 9,824	\$ —	\$ 9,053	\$ 243	\$ 116,643
39	3,000	—	3,031	9,206	5,382	160,869
—	—	—	94,072	—	7	94,079
—	—	94,517	—	—	4,280	98,797
—	—	—	59,903	—	—	59,903
—	—	—	—	—	—	2,204
716	12,377	—	—	—	—	27,261
3,907	3,871	—	—	—	—	35,969
44,717	13,649	—	—	—	—	69,325
—	54,812	—	—	—	—	153,205
482	8	432	4,097	—	—	27,505
57,055	116,291	104,773	161,103	18,259	9,912	845,760
—	1,000	—	—	234,901	460	347,083
33,728	19,316	(33,263)	34,833	30,895	18,729	207,658
33,728	19,316	(33,263)	34,833	30,895	18,729	207,658
33,728	20,316	(33,263)	34,833	265,796	19,189	554,741
\$ 90,783	\$ 136,607	\$ 71,510	\$ 195,936	\$ 284,055	\$ 29,101	\$ 1,400,501

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings

Year Ended June 30, 2000
(Amounts in thousands)

	Architecture Revolving	Service Revolving	Prison Industries
OPERATING REVENUES			
Services and sales	\$ 294,600	\$ 454,441	\$ 157,102
Investment and Interest	—	—	—
Other	—	—	—
Total Operating Revenues	294,600	454,441	157,102
OPERATING EXPENSES			
Personal services	29,005	176,439	51,351
Supplies	—	32,039	2,087
Services and charges	264,232	231,501	106,002
Depreciation	1	17,031	9,025
Interest expense	—	708	—
Total Operating Expenses	293,238	457,718	168,465
Operating Income (Loss)	1,362	(3,277)	(11,363)
NONOPERATING REVENUES (EXPENSES)			
Investment and interest income	—	—	1,071
Interest expense and fiscal charges	—	—	(36)
Other	(50)	—	(874)
Total Nonoperating Revenues (Expenses)	(50)	—	159
Income (Loss) Before Operating Transfers	1,312	(3,277)	(11,204)
OPERATING TRANSFERS			
Operating transfers in	—	181	6,915
Operating transfers out	—	(13)	(6,000)
Total Operating Transfers	—	168	945
Net Income (Loss)	1,312	(3,109)	(10,259)
Retained Earnings (Deficit), July 1, 1999	(4,650)	60,490	59,636
Retained Earnings (Deficit), June 30, 2000	\$ (3,338)	\$ 57,381	\$ 49,377

Stephen P . Teale Data Center	Health and Human Services Agency Data Center	Water Resources Revolving	Public Employees' Health Care	Equipment Service	Other Internal Service	Total
\$ 88,060	\$ 240,885	\$ 75,134	\$ 1,004,992	\$ 143,184	\$ 48,327	\$ 2,506,725
—	—	—	—	—	210	210
—	—	—	12,388	—	—	12,388
<u>88,060</u>	<u>240,885</u>	<u>75,134</u>	<u>1,017,380</u>	<u>143,184</u>	<u>48,537</u>	<u>2,519,323</u>
26,210	24,995	26,204	—	—	—	334,204
—	—	—	—	—	—	34,126
46,779	200,420	54,147	1,096,033	96,123	49,312	2,144,549
12,387	13,607	2,006	—	32,507	—	86,564
2,863	1,036	—	—	—	—	4,607
<u>88,239</u>	<u>240,058</u>	<u>82,357</u>	<u>1,096,033</u>	<u>128,630</u>	<u>49,312</u>	<u>2,604,050</u>
<u>(179)</u>	<u>827</u>	<u>(7,223)</u>	<u>(78,653)</u>	<u>14,554</u>	<u>(775)</u>	<u>(84,727)</u>
905	—	—	11,415	—	—	13,391
—	—	—	—	—	—	(38)
—	586	—	—	—	—	(338)
<u>905</u>	<u>586</u>	<u>—</u>	<u>11,415</u>	<u>—</u>	<u>—</u>	<u>13,015</u>
<u>726</u>	<u>1,413</u>	<u>(7,223)</u>	<u>(67,238)</u>	<u>14,554</u>	<u>(775)</u>	<u>(71,712)</u>
—	—	—	—	—	—	7,126
<u>(9,086)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,099)</u>
<u>(9,086)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,973)</u>
<u>(8,360)</u>	<u>1,413</u>	<u>(7,223)</u>	<u>(67,238)</u>	<u>14,554</u>	<u>(775)</u>	<u>(79,685)</u>
<u>42,088</u>	<u>17,903</u>	<u>(26,040)</u>	<u>102,071</u>	<u>16,341</u>	<u>19,504</u>	<u>287,343</u>
<u>\$ 33,728</u>	<u>\$ 19,316</u>	<u>\$ (33,263)</u>	<u>\$ 34,833</u>	<u>\$ 30,895</u>	<u>\$ 18,729</u>	<u>\$ 207,658</u>

Internal Service Funds

Combining Statement of Cash Flows

Year Ended June 30, 2000

(Amounts in thousands)

	Architecture Revolving	Service Revolving	Prison Industries
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,362	\$ (3,277)	\$ (11,363)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS			
Interest expense on operating debt	—	708	—
Depreciation	1	17,031	9,025
Other	—	(271)	(361)
Change in assets and liabilities			
Receivables	(3,856)	(8)	(93)
Due from other funds	47,876	(18,290)	2,384
Due from other governments	—	1,524	190
Prepaid items	(31)	3,766	(116)
Inventories	—	306	182
Other assets	—	495	—
Accounts payable	(21,210)	(3,532)	(3,287)
Due to other funds	(2,715)	1,053	1,254
Due to other governments	—	—	—
Benefits payable	—	—	—
Deposits	—	1,502	—
Contracts and notes payable	—	—	—
Compensated absences payable	185	1,693	561
Capital lease obligations	—	(543)	—
Advance collections	(21,409)	2,175	39
Other liabilities	2,903	2,255	1,130
Total Adjustments	1,744	9,864	10,908
Net Cash Provided by (Used In) Operating Activities	3,106	6,587	(455)

Stephen P . Teale Data Center	Health and Human Services Agency Data Center	Water Resources Revolving	Public Employees' Health Care	Equipment Service	Other Internal Service	Total
\$ (179)	\$ 827	\$ (7,223)	\$ (78,653)	\$ 14,554	\$ (775)	\$ (84,727)
2,863	1,036	—	—	—	—	4,607
12,387	13,607	2,006	—	32,507	—	86,564
—	1,480	—	—	—	—	848
(132)	(1,983)	(794)	187	2	(227)	(6,904)
7,893	(35,082)	13,974	148	13,546	31	32,480
—	(200)	(7)	(4,821)	—	—	(3,314)
—	(3,996)	(558)	—	—	(2,021)	(2,956)
—	—	—	—	(6,097)	33	(5,576)
326	941	(196)	—	—	—	1,566
(5,676)	(3,251)	(7,023)	—	(487)	121	(44,345)
(258)	3,000	—	(3,940)	(17,726)	(2,475)	(21,807)
—	—	—	18,828	—	3	18,831
—	—	—	16,776	—	—	16,776
—	—	—	—	—	—	1,502
(2,695)	—	—	—	—	—	(2,695)
642	518	(5,618)	—	—	—	(2,019)
(2,076)	—	—	—	—	—	(2,619)
—	19,329	—	—	—	—	134
(42)	8	(1,252)	902	—	(3)	5,901
13,232	(4,593)	532	28,080	21,745	(4,538)	76,974
13,053	(3,766)	(6,691)	(50,573)	36,299	(5,313)	(7,753)

(Continued)

Internal Service Funds

Combining Statement of Cash Flows

Year Ended June 30, 2000
(Amounts in thousands)

	Architecture Revolving	Service Revolving	Prison Industries
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	—	—	—
Operating transfers in	—	181	6,945
Operating transfers out	—	(13)	(6,000)
Net Cash Provided by (Used In) Noncapital Financing Activities	—	168	945
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of intangible assets	—	—	—
Acquisition of fixed assets	—	(36,357)	(7,693)
Proceeds from sale of fixed assets	—	192	428
Proceeds from notes payable and commercial paper	—	12,347	—
Principal paid on notes payable	—	—	—
Payment of capital lease obligations	—	—	—
Interest paid	—	(708)	—
Contributed capital	—	—	—
Net Cash Provided by (Used In) Capital and Related Financing Activities ..	—	(24,526)	(7,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments	—	—	—
Earnings on investments	—	—	983
Net Cash Provided by (Used In) Investing Activities	—	—	983
Net Increase (Decrease) In Cash and Pooled Investments	3,106	(17,771)	(5,792)
Cash and Pooled Investments at July 1, 1999	66,672	58,902	64,456
Cash and Pooled Investments at June 30, 2000	\$ 69,778	\$ 41,131	\$ 58,664

Stephen P . Teale Data Center	Health and Human Services Agency Data Center	Water Resources Revolving	Public Employees' Health Care	Equipment Service	Other Internal Service	Total
—	—	—	—	—	2,846	2,846
—	—	—	—	—	—	7,126
(9,086)	—	—	—	—	—	(15,099)
(9,086)	—	—	—	—	2,846	(5,127)
(573)	(1,174)	—	—	—	—	(1,747)
(4,171)	(6,442)	(1,914)	—	(47,050)	(377)	(104,004)
—	13,456	4,922	—	—	—	18,998
—	—	—	—	—	—	12,347
—	(3,440)	—	—	—	—	(3,440)
—	(2,430)	—	—	—	—	(2,430)
(2,863)	(1,036)	—	—	—	—	(4,607)
—	—	—	—	1,901	—	1,901
(7,607)	(1,066)	3,008	—	(45,149)	(377)	(82,982)
—	—	—	44,185	—	—	44,185
905	586	—	11,415	—	—	13,889
905	586	—	55,600	—	—	58,074
(2,735)	(4,246)	(3,683)	5,027	(8,850)	(2,844)	(37,788)
19,837	24,329	5,831	34,236	38,593	26,469	339,325
\$ 17,102	\$ 20,083	\$ 2,148	\$ 39,263	\$ 29,743	\$ 23,625	\$ 301,537
(Concluded)						



Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. A description of the funds included in this fund type follows:

Expendable Trust Funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the fund's designated operations. Funds included in this group are Unemployment, School Employees, Unemployment Compensation Disability, California State University and Colleges Trust, Student Loan, Housing Loan, Unclaimed Property, and Deferred Compensation Plan.

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various state public employees' retirement systems. Funds included in this group are Public Employees' Retirement, State Teachers' Retirement, Teachers' Retirement 403(b), Judges' Retirement, Judges' Retirement II, Legislators' Retirement, Volunteer Firefighters' Length of Service Award, and State Peace Officers' and Firefighters' Defined Contribution Plan.

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Major agency funds included in this group are Revenue Collecting and Disbursing, Deposit, and Departmental Trust.

Investment Trust Fund, consisting of the Local Agency Investment Fund, accounts for deposits, return of deposits, and payment of interest earned on deposits held on behalf of local governments and local public agencies.

Trust and Agency Funds Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Expendable Trust	Pension Trust	Agency	Investment Trust Local Agency Investment	Total
ASSETS					
Cash and pooled investments	\$ 965,147	\$ 389,015	\$ 6,449,785	\$ 12,530,983	\$ 20,334,930
Investments	5,356,142	315,418,907	174	—	320,775,223
Amount on deposit with U.S.Treasury	5,700,891	—	—	—	5,700,891
Receivables (net)	284,316	6,861,099	6,940,470	—	14,085,885
Due from other funds	73,577	12,175	5,128,505	199,078	5,413,335
Due from other governments	73,956	951,589	903,158	—	1,928,703
Prepaid items	—	—	34,032	—	34,032
Advances and loans receivable	1,087,711	—	163,857	—	1,251,568
Other assets	133,411	81,072	172,008	—	386,491
Total Assets	\$ 13,675,151	\$ 323,713,857	\$ 19,791,989	\$ 12,730,061	\$ 369,911,058
LIABILITIES					
Accounts payable	\$ 83,088	\$ 3,138,229	\$ 2,860,713	\$ —	\$ 6,082,030
Due to other funds	108,603	6,131	8,682,335	559	8,797,628
Due to component units	1,435	—	2,883	—	4,318
Due to other governments	15,933	748	3,952,684	198,519	4,167,884
Advances from other funds	—	—	162,972	—	162,972
Tax overpayments	64,865	—	1,830,636	—	1,895,501
Benefits payable	187,112	234,688	—	—	421,800
Deposits	134,471	—	769,231	—	903,702
Contracts and notes payable	1,072	—	—	—	1,072
Advance collections	35,667	—	111,581	—	147,248
Securities lending obligation	—	30,550,543	—	—	30,550,543
Other liabilities	598,781	4,151,739	1,418,954	2,595	6,172,069
Total Liabilities	1,231,027	38,082,078	19,791,989	201,673	59,306,767
FUND BALANCES					
Reserved for					
Local agencies	—	—	—	12,528,388	12,528,388
Advances and loans	578,926	—	—	—	578,926
Employees' pension benefits	—	285,631,779	—	—	285,631,779
Total Reserved	578,926	285,631,779	—	12,528,388	298,739,093
Unreserved					
Undesignated	11,865,198	—	—	—	11,865,198
Total Fund Balances	12,444,124	285,631,779	—	12,528,388	310,604,291
Total Liabilities and Fund Balances	\$ 13,675,151	\$ 323,713,857	\$ 19,791,989	\$ 12,730,061	\$ 369,911,058

Expendable Trust Funds

Expendable Trust Funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the fund's designated operations. A brief description of major expendable trust funds follows:

Unemployment Fund accounts for employer contributions used for payments of unemployment insurance benefits.

School Employees Fund accounts for contributions from employers of school employees that are used for payments of unemployment insurance benefits.

Unemployment Compensation Disability Fund accounts for taxes on wages of workers that are used to pay disability benefits.

California State University and Colleges Trust Fund accounts for receipts from gifts, bequests, donations, and federal and state grants and loans that can only be expended for the purpose for which they were received.

Student Loan Fund consists of two subfunds. The Federal Student Loan Reserve subfund is property of the United States government and accounts for federal receipts, insurance premiums, and other receipts for the purpose of Student Loan reinsurance and related programs. The Student Loan Operating subfund is property of the State and accounts for loan processing and other fees received from the federal government for the purpose of guaranteeing loans to college students.

Housing Loan Fund accounts for various housing program loans.

Unclaimed Property Fund accounts for unclaimed money and properties held in trust by the State.

Deferred Compensation Plan Fund accounts for moneys withheld from the salaries of participants; the moneys are invested until the employee retires or resigns at which time all money withdrawn, including investment income, is subject to income taxes.

Other Expendable Trust Funds account for other assets held in a trustee capacity when both principal and income may be expended in the course of a fund's designated operations.

Expendable Trust Funds Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Unemployment	School Employees	Unemployment Compensation Disability	California State University and Colleges Trust
ASSETS				
Cash and pooled investments	\$ 2,262	\$ 33,856	\$ 146,797	\$ 66,067
Investments	—	—	—	232,519
Amount on deposit with U.S. Treasury	5,700,891	—	—	—
Receivables (net)	72,961	55	11,849	170,483
Due from other funds	9,537	1,081	19,382	16,377
Due from other governments	12,950	4,128	—	5,281
Advances and loans receivable	—	—	—	—
Other assets	—	—	—	332
Total Assets	\$ 5,798,601	\$ 39,120	\$ 178,028	\$ 491,059
LIABILITIES				
Accounts payable	\$ 18,594	\$ —	\$ 1	\$ 16,250
Due to other funds	55,614	5,672	3,532	27,994
Due to component units	—	—	—	—
Due to other governments	8,497	—	—	114
Tax overpayments	50,881	22	13,962	—
Benefits payable	73,237	—	113,846	—
Deposits	—	—	—	1,380
Contracts and notes payable	—	—	—	3
Advance collections	—	—	—	35,048
Other liabilities	710	—	126	21,389
Total Liabilities	207,533	5,694	131,467	102,178
FUND BALANCES				
Reserved for				
Advances and loans	—	—	—	—
Total Reserved	—	—	—	—
Unreserved				
Undesignated	5,591,068	33,426	46,561	388,881
Total Fund Balance	5,591,068	33,426	46,561	388,881
Total Liabilities and Fund Balances	\$ 5,798,601	\$ 39,120	\$ 178,028	\$ 491,059

Student Loan	Housing Loan	Unclaimed Property	Deferred Compensation Plan	Other Expendable Trust	Total
\$ 275,525	\$ 102,293	\$ 70,745	\$ 2,382	\$ 265,220	\$ 965,147
—	—	—	5,024,244	99,379	5,356,142
—	—	—	—	—	5,700,891
12,547	7	—	2,009	14,405	284,316
990	3,391	—	61	22,758	73,577
51,404	11	—	—	182	73,956
—	578,926	508,785	—	—	1,087,711
—	—	128,040	—	5,039	133,411
\$ 340,466	\$ 684,628	\$ 707,570	\$ 5,028,696	\$ 406,983	\$ 13,675,151
\$ 37,758	\$ 2,425	\$ —	\$ 1,158	\$ 6,902	\$ 83,088
785	1,614	4,624	589	8,179	108,603
—	—	—	—	1,435	1,435
595	635	—	—	6,092	15,933
—	—	—	—	—	64,865
—	—	—	—	29	187,112
—	—	128,040	—	5,051	134,471
—	—	—	—	1,069	1,072
—	—	—	—	619	35,667
—	—	574,906	49	1,601	598,781
39,138	4,674	707,570	1,796	30,977	1,231,027
—	578,926	—	—	—	578,926
—	578,926	—	—	—	578,926
301,328	101,028	—	5,026,900	376,006	11,865,198
301,328	679,954	—	5,026,900	376,006	12,444,124
\$ 340,466	\$ 684,628	\$ 707,570	\$ 5,028,696	\$ 406,983	\$ 13,675,151

Expendable Trust Funds

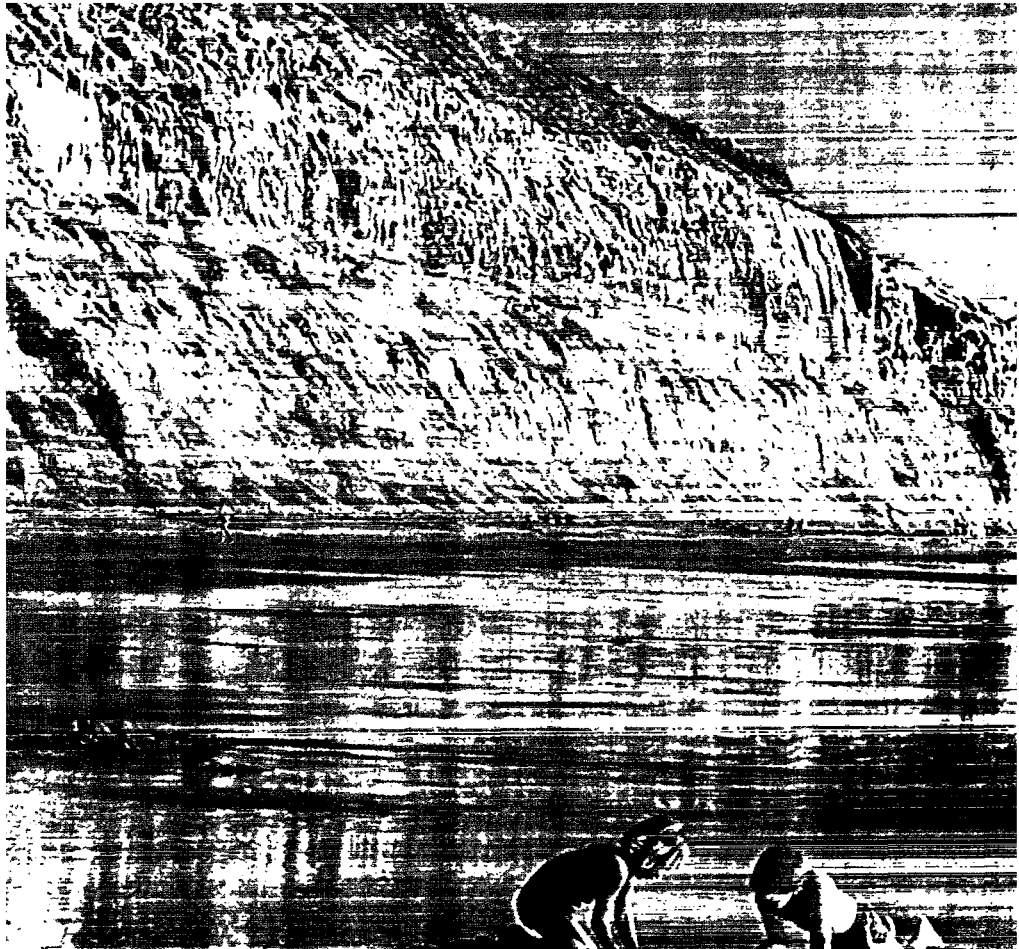
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2000

(Amounts in thousands)

	Unemployment	School Employees	Unemployment Compensation Disability	California State University and Colleges Trust
REVENUES				
Taxes	\$ 2,945,830	\$ 18,204	\$ 1,613,303	\$ —
Intergovernmental	—	—	—	639,494
Charges for services	—	—	—	—
Fees and penalties	—	—	—	—
Investment and interest	333,919	2,293	17,386	15,470
Escheat	—	—	—	—
Receipts from depositors	—	—	—	—
Other	—	—	—	498,409
Total Revenues	3,279,749	20,497	1,630,689	1,153,373
EXPENDITURES				
Current				
General government	—	—	—	—
Education	—	—	—	1,243,670
Health and human services	2,634,823	31,257	2,049,449	—
Resources	—	—	—	—
State and consumer services	—	—	—	—
Business and transportation	—	—	—	—
Payments to depositors	—	—	—	—
Total Expenditures	2,634,823	31,257	2,049,449	1,243,670
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	644,926	(10,760)	(418,760)	(90,297)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	52,451	—	—	185,251
Operating transfers out	—	—	—	(55,572)
Transfers out - component units	—	—	—	—
Net Other Financing Sources (Uses)	52,451	—	—	129,679
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other				
Financing Uses	697,377	(10,760)	(418,760)	39,382
Fund Balances, July 1, 1999	4,893,691	44,186	465,321	349,499
Fund Balances, June 30, 2000	\$ 5,591,068	\$ 33,426	\$ 46,561	\$ 388,881

Student Loan	Housing Loan	Unclaimed Property	Deferred Compensation Plan	Other Expendable Trust	Total
\$ —	\$ —	\$ —	\$ —	\$ 24,694	\$ 4,602,031
—	—	—	—	—	639,494
—	—	—	—	5,772	5,772
433,196	—	—	—	26,452	459,648
15,815	—	—	250,451	9,737	645,071
—	—	173,136	—	—	173,136
—	—	—	456,510	57,846	514,356
38	12,192	—	5,602	153,525	669,766
<u>449,049</u>	<u>12,192</u>	<u>173,136</u>	<u>712,563</u>	<u>278,026</u>	<u>7,709,274</u>
—	—	—	6,883	64,819	71,702
425,040	—	—	—	114,591	1,783,301
—	—	—	—	709	4,716,238
—	—	—	—	28,347	28,347
—	—	—	—	1,089	1,089
—	9,189	—	—	8,917	18,106
—	—	—	304,891	799	305,690
<u>425,040</u>	<u>9,189</u>	<u>—</u>	<u>311,774</u>	<u>219,271</u>	<u>6,924,473</u>
<u>24,009</u>	<u>3,003</u>	<u>173,136</u>	<u>400,789</u>	<u>58,755</u>	<u>784,801</u>
—	6,272	—	26	25,898	269,898
—	(2,907)	(173,136)	(25)	(5,646)	(237,286)
—	—	—	—	(1,300)	(1,300)
<u>—</u>	<u>3,365</u>	<u>(173,136)</u>	<u>1</u>	<u>18,952</u>	<u>31,312</u>
24,009	6,368	—	400,790	77,707	816,113
<u>277,319</u>	<u>673,586</u>	<u>—</u>	<u>4,626,110</u>	<u>298,299</u>	<u>11,628,011</u>
<u>\$ 301,328</u>	<u>\$ 679,954</u>	<u>\$ —</u>	<u>\$ 5,026,900</u>	<u>\$ 376,006</u>	<u>\$ 12,444,124</u>



Pension Trust Funds

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various state public employees' retirement systems. A brief description of each pension trust fund follows:

Public Employees' Retirement Fund accounts for the employee and employer contributions of the agent multiple-employer retirement plan that provides pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

State Teachers' Retirement Fund accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

Teachers' Retirement 403(b) Fund accounts for the employee contributions of participating employers and plan members to this defined contribution plan.

Judges' Retirement Fund accounts for the employee and employer contributions of the agent multiple-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, superior courts, municipal courts, and justice courts appointed or elected prior to November 9, 1994.

Judges' Retirement Fund II accounts for the employee and employer contributions of the agent multiple-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, superior courts, municipal courts, and justice courts appointed or elected on or subsequent to November 9, 1994.

Legislators' Retirement Fund accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature, serving prior to November 1, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

Volunteer Firefighters' Length of Service Award Fund accounts for employer contributions of the agent multiple-employer retirement plan that provides awards to volunteer firefighters.

State Peace Officers' and Firefighters' Defined Contribution Plan Fund accounts for the employer contributions to the defined contribution plan that supplements the retirement benefits provided to the correctional officers employed in State of California Bargaining Unit 6.

Pension Trust Funds

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Public Employees' Retirement	State Teachers' Retirement
ASSETS		
Cash and pooled investments	\$ 150,185	\$ 238,070
Investments	187,921,685	127,192,731
Receivables (net)	2,053,051	4,806,994
Due from other funds	3,852	8,323
Due from other governments	947,806	—
Other assets	80,733	339
Total Assets	191,157,312	132,246,457
LIABILITIES		
Accounts payable	—	3,138,229
Due to other funds	123	5,877
Due to other governments	—	748
Benefits payable	164,473	69,959
Securities lending obligation	14,443,444	16,107,099
Other liabilities	4,008,728	142,857
Total Liabilities	18,616,768	19,464,769
FUND BALANCES		
Reserved for		
Employees' pension benefits	172,540,544	112,781,688
(A schedule of funding progress for each plan is presented on pages 96 and 97)		
Total Fund Balances	172,540,544	112,781,688
Total Liabilities and Fund Balances	\$ 191,157,312	\$ 132,246,457

Teachers' Retirement 403(b)	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Volunteer Firefighters' Length of Service Award	State Peace Officers' and Firefighters' Defined Contribution Plan	Total
\$ —	\$ 345	\$ 122	\$ 243	\$ 9	\$ 41	\$ 389,015
49,532	18,471	40,302	145,731	2,191	48,264	315,418,907
891	125	17	2	—	19	6,861,099
—	—	—	—	—	—	12,175
—	2,600	942	—	241	—	951,589
—	—	—	—	—	—	81,072
50,423	21,541	41,383	145,976	2,441	48,324	323,713,857
—	—	—	—	—	—	3,138,229
—	24	11	49	14	33	6,131
—	—	—	—	—	—	748
—	1	18	233	4	—	234,688
—	—	—	—	—	—	30,550,543
42	—	—	86	—	26	4,151,739
42	25	29	368	18	59	38,082,078
50,381	21,516	41,354	145,608	2,423	48,265	285,631,779
50,381	21,516	41,354	145,608	2,423	48,265	285,631,779
\$ 50,423	\$ 21,541	\$ 41,383	\$ 145,976	\$ 2,441	\$ 48,324	\$ 323,713,857

Pension Trust Funds

Combining Statement of Changes

in Plan Net Assets

Year Ended June 30, 2000

(Amounts in thousands)

	Public Employees' Retirement	State Teachers' Retirement
ADDITIONS		
Contributions		
Employer	\$ 362,614	\$ 2,530,123
Plan member	1,751,290	1,532,380
Total Contributions	2,113,904	4,062,503
Investment income		
Net appreciation in fair value of investments	11,131,179	9,836,172
Interest, dividends, and other investment income	6,689,772	3,816,815
Less: Investment expense	(1,241,863)	(962,403)
Net Investment Income	16,579,088	12,690,584
Other	3,570	166
Total Additions	18,696,562	16,753,253
DEDUCTIONS		
Benefits	5,176,073	3,625,746
Refunds of contributions	140,644	80,046
Administrative expense	175,051	50,500
Operating transfers out	22,035	—
Total Deductions	5,513,803	3,756,292
Net Increase in Fund Balance Reserved for Employees' Pension Benefits	13,182,759	12,996,961
Fund Balance Reserved for Employees' Pension Benefits, July 1, 1999	159,357,785	99,784,727
Fund Balance Reserved for Employees' Pension Benefits, June 30, 2000	\$ 172,540,544	\$ 112,781,688

Teachers' Retirement 403(b)	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Volunteer Firefighters' Length of Service Award	State Peace Officers' and Firefighters' Defined Contribution Plan	Total
\$ —	\$ 74,079	\$ 7,460	\$ 339	\$ 203	\$ 30,011	\$ 3,004,829
13,792	11,252	3,210	179	—	—	3,312,103
13,792	85,331	10,670	518	203	30,011	6,316,932
384	—	2,675	9,776	129	2,352	20,982,667
2,732	2,513	59	13	1	68	10,511,973
—	—	—	—	—	—	(2,204,266)
3,116	2,513	2,734	9,789	130	2,420	29,290,374
—	4,355	—	—	—	—	8,091
16,908	92,199	13,404	10,307	333	32,431	35,615,397
250	90,171	226	6,630	42	—	8,899,138
2,201	—	22	164	—	—	223,077
275	360	175	206	75	214	226,856
—	—	—	—	—	—	22,035
2,726	90,531	423	7,000	117	214	9,371,106
14,182	1,668	12,981	3,307	216	32,217	26,244,291
36,199	19,848	28,373	142,301	2,207	16,048	259,387,488
\$ 50,381	\$ 21,516	\$ 41,354	\$ 145,608	\$ 2,423	\$ 48,265	\$ 285,631,779



Agency Funds

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent for distribution to other governmental units or other organizations. A brief description of major agency funds follows:

Revenue Collecting and Disbursing Fund accounts for revenues and receipts collected on behalf of other funds and local governments for subsequent disbursement to them. This fund also accounts for receipts from numerous state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

Deposit Fund accounts for various deposits such as condemnation and litigation.

Departmental Trust Fund accounts for various deposits held in trust by state departments.

Other Agency Funds account for other assets held by the State, which acts as an agent for individuals, private organizations, other governments, or other funds.

Agency Funds

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	Revenue Collecting and Disbursing
ASSETS	
Cash and pooled investments	\$ 4,146,750
Investments	—
Receivables (net)	6,293,769
Due from other funds	4,817,988
Due from other governments	902,981
Prepaid items	34,032
Advances and loans receivable	162,972
Other assets	5,893
Total Assets	\$ 16,364,385
LIABILITIES	
Accounts payable	\$ 2,814,866
Due to other funds	7,633,128
Due to component units	35
Due to other governments	3,715,968
Advances from other funds	162,972
Tax overpayments	1,830,636
Deposits	38,193
Advance collections	68,971
Other liabilities	99,616
Total Liabilities	\$ 16,364,385

<u>Deposit</u>	<u>Departmental Trust</u>	<u>Other Agency</u>	<u>Total</u>
\$ 1,843,489	\$ 88,061	\$ 371,485	\$ 6,449,785
33	141	—	174
646,045	475	181	6,940,470
23,365	3,178	283,974	5,128,505
151	26	—	903,158
—	—	—	34,032
885	—	—	163,857
44	963	165,108	172,008
<u>\$ 2,514,012</u>	<u>\$ 92,844</u>	<u>\$ 820,748</u>	<u>\$ 19,791,989</u>

\$ 34,637	\$ 40	\$ 11,170	\$ 2,860,713
648,870	225	400,112	8,682,335
—	—	2,848	2,883
4,810	2	231,904	3,952,684
—	—	—	162,972
—	—	—	1,830,636
465,834	92,001	173,203	769,231
42,600	10	—	111,581
1,317,261	566	1,511	1,418,954
<u>\$ 2,514,012</u>	<u>\$ 92,844</u>	<u>\$ 820,748</u>	<u>\$ 19,791,989</u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2000

(Amounts in thousands)

Revenue Collecting and Disbursing		Balance			Balance
		July 1, 1999	Additions	Deductions	June 30, 2000
ASSETS					
Cash and pooled investments	\$	3,363,618	\$ 202,494,087	\$ 201,710,955	\$ 4,146,750
Receivables (net)		5,145,849	6,729,365	5,581,445	6,293,769
Due from other funds		5,144,032	6,015,289	6,341,333	4,817,988
Due from other governments		617,553	4,010,452	3,725,024	902,981
Prepaid items		38,265	94	4,327	34,032
Advances and loans receivable		295,956	45,324	178,308	162,972
Other assets		86	14,937	9,130	5,893
Total Assets	\$	14,605,359	\$ 219,309,548	\$ 217,550,522	\$ 16,364,385
LIABILITIES					
Accounts payable	\$	2,605,240	\$ 78,543,987	\$ 78,334,361	\$ 2,814,866
Due to other funds		6,735,026	100,020,038	99,121,936	7,633,128
Due to component units		—	35	—	35
Due to other governments		3,124,874	25,960,285	25,369,191	3,715,968
Advances from other funds		295,956	29,707	162,691	162,972
Tax overpayments		1,620,999	495,642	286,005	1,830,636
Deposits		13,389	64,712	39,908	38,193
Advance collections		87,847	66,678	85,554	68,971
Other liabilities		122,028	5,996,992	6,019,404	99,616
Total Liabilities	\$	14,605,359	\$ 211,178,076	\$ 209,419,050	\$ 16,364,385

Deposit		Balance			Balance
		July 1, 1999	Additions	Deductions	June 30, 2000
ASSETS					
Cash and pooled investments	\$	1,159,034	\$ 5,667,764	\$ 4,983,309	\$ 1,843,489
Investments		33	9	9	33
Receivables (net)		491,811	1,850,037	1,695,803	646,045
Due from other funds		14,942	10,550	2,127	23,365
Due from other governments		1,568	621	2,038	151
Advances and loans receivable		21,011	—	20,126	885
Other assets		68	—	24	44
Total Assets	\$	1,688,467	\$ 7,528,981	\$ 6,703,436	\$ 2,514,012
LIABILITIES					
Accounts payable	\$	11,283	\$ 526,660	\$ 503,306	\$ 34,637
Due to other funds		526,110	1,852,806	1,730,046	648,870
Due to other governments		4,076	734	—	4,810
Deposits		550,298	884,932	969,396	465,834
Advance collections		28,772	13,828	—	42,600
Other liabilities		567,928	978,682	229,349	1,317,261
Total Liabilities	\$	1,688,467	\$ 4,257,642	\$ 3,432,097	\$ 2,514,012

(Continued)

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2000

(Amounts in thousands)

Departmental Trust		Balance			Balance
		July 1, 1999	Additions	Deductions	June 30, 2000
ASSETS					
Cash and pooled investments	\$	75,524	\$ 12,537	\$ —	\$ 88,061
Investments		42	99	—	141
Receivables (net)		429	46	—	475
Due from other funds		3,551	—	373	3,178
Due from other governments		13	13	—	26
Other assets		2,624	—	1,661	963
Total Assets	\$	82,183	12,695	2,034	\$ 92,844
LIABILITIES					
Accounts payable	\$	96	\$ —	\$ 56	\$ 40
Due to other funds		280	—	55	225
Due to other governments		1	1	—	2
Deposits		81,155	10,846	—	92,001
Advance collections		3	7	—	10
Other liabilities		648	—	82	566
Total Liabilities	\$	82,183	10,854	193	\$ 92,844

Other Agency		Balance			Balance
		July 1, 1999	Additions	Deductions	June 30, 2000
ASSETS					
Cash and pooled investments	\$	445,568	\$ 486,269	\$ 560,352	\$ 371,485
Receivables (net)		—	181	—	181
Due from other funds		231,014	1,027,710	974,750	283,974
Due from other governments		1,861	—	1,861	—
Other assets		57,147	107,961	—	165,108
Total Assets	\$	735,590	1,622,121	1,536,963	\$ 820,748
LIABILITIES					
Accounts payable	\$	6,075	\$ 5,170	\$ 75	\$ 11,170
Due to other funds		331,720	403,045	334,653	400,112
Due to component units		3,674	—	826	2,848
Due to other governments		208,595	29,132	5,823	231,904
Deposits		185,523	—	12,320	173,203
Other liabilities		3	1,508	—	1,511
Total Liabilities	\$	735,590	438,855	353,697	\$ 820,748

(Continued)

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2000

(Amounts in thousands)

Total	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
ASSETS				
Cash and pooled investments	\$ 5,043,744	\$ 208,660,657	\$ 207,254,616	\$ 6,449,785
Investments	75	32,959	32,860	174
Receivables (net)	5,638,089	8,579,629	7,277,248	6,940,470
Due from other funds	5,393,539	7,053,549	7,318,583	5,128,505
Due from other governments	620,995	4,011,086	3,728,923	903,158
Prepaid items	38,265	94	4,327	34,032
Advances and loans receivable	316,967	45,324	198,434	163,857
Other assets	59,925	122,898	10,815	172,008
Total Assets	\$ 17,111,599	\$ 228,506,196	\$ 225,825,806	\$ 19,791,989
LIABILITIES				
Accounts payable	\$ 2,622,694	\$ 79,075,817	\$ 78,837,798	\$ 2,860,713
Due to other funds	7,593,136	102,275,889	101,186,690	8,682,335
Due to component units	3,674	35	826	2,883
Due to other governments	3,337,546	25,990,152	25,375,014	3,952,684
Advances from other funds	295,956	29,707	162,691	162,972
Tax overpayments	1,620,999	495,642	286,005	1,830,636
Deposits	830,365	960,490	1,021,624	769,231
Advance collections	116,622	80,513	85,554	111,581
Other liabilities	690,607	6,977,182	6,248,835	1,418,954
Total Liabilities	\$ 17,111,599	\$ 215,885,427	\$ 213,205,037	\$ 19,791,989

(Concluded)

General Fixed Assets Account Group

Fixed assets used in governmental and expendable trust funds' operations are accounted for in the **General Fixed Assets Account Group**, rather than in individual funds. Public domain (infrastructure) assets consisting of certain improvements other than buildings (including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets) are not reported in the account group.

Schedule of General Fixed Assets By Source

June 30, 2000
(Amount in thousands)

	<u>Total</u>
GENERAL FIXED ASSETS	
Land	\$ 2,165,135
Structures and improvements	11,948,210
Equipment	2,149,988
Construction in progress	1,292,141
Total General Fixed Assets	\$ 17,555,474
 INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE	
General Fund	\$ 9,835,846
Special revenue funds	2,886,817
Capital projects funds	4,690,284
Expendable trust funds	142,527
Total Investment in General Fixed Assets	\$ 17,555,474

Schedule of General Fixed Assets By Function

June 30, 2000

(Amounts in thousands)

	Land	Structures and Improvements	Equipment	Construction in Progress	Total
FUNCTION					
General government	\$ 4,277	\$ 1,030,481	\$ 384,367	\$ —	\$ 1,419,125
Education	100,593	3,400,251	503,553	167,200	4,171,597
Health and human services	18,749	515,206	156,227	—	690,182
Resources	1,548,215	792,895	340,112	139	2,681,361
State and consumer services	197,392	574,340	58,154	1,035,402	1,865,288
Business and transportation	232,234	757,307	507,308	—	1,496,849
Correctional programs	63,675	4,877,730	200,267	89,400	5,231,072
Total General Fixed Assets	\$ 2,165,135	\$ 11,948,210	\$ 2,149,988	\$ 1,292,141	\$ 17,555,474

Schedule of Changes in General Fixed Assets By Function

Year Ended June 30, 2000

(Amounts in thousands)

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
FUNCTION				
General government	\$ 1,296,484	\$ 206,843	\$ 84,202	\$ 1,419,125
Education	4,033,050	319,038	180,491	4,171,597
Health and human services	623,543	75,828	9,189	690,182
Resources	2,609,087	82,704	10,430	2,681,361
State and consumer services	2,110,396	325,816	570,924	1,865,288
Business and transportation	1,378,163	194,298	75,612	1,496,849
Correctional programs	5,394,804	78,936	242,668	5,231,072
Total General Fixed Assets	\$ 17,445,527	\$ 1,283,463	\$ 1,173,516	\$ 17,555,474



Component Units – Special Purpose Authorities

Special Purpose Authorities are legally separate entities that are discretely presented in the State's financial statements as component units in accordance with GASB Statement No. 14. The authorities' inclusion in the State's general purpose financial statements reflects the State's financial accountability for these entities. A brief description of the major authorities follows:

State Compensation Insurance Fund is a component unit created to offer insurance protection to employers at the lowest possible cost. This information is as of and for the year ended December 31, 1999.

The **California Housing Finance Agency** was created for the purpose of meeting the housing needs of persons and families of low and moderate income.

Other **Non-Major Component Units** provide certain services outside the State and provide certain private and public entities with a low-cost source of financing for activities that are deemed to be in the public interest.

The *California Alternative Energy and Advanced Transportation Financing Authority* was created to provide financing for the alternative energy and advanced transportation technologies.

The *California Infrastructure and Economic Development Bank* provides financing of an interconnected system of public improvements, business development, and public infrastructure projects.

The *California Pollution Control Financing Authority* was created to provide financing for pollution control facilities.

The *California Health Facilities Financing Authority* was created to provide financing for the construction, equipping, or acquiring of health facilities.

The *California Educational Facilities Authority* was created for the purpose of issuing revenue bonds to finance loans for students attending both public and private colleges and universities and to assist private educational institutions of higher learning in the expansion and construction of educational facilities.

The *California School Finance Authority* was created for the purpose of providing loans to school and community college districts to assist in obtaining equipment and facilities.

District Agricultural Associations were created for the purpose of exhibiting all of the industries, industrial enterprises, resources, and products of the state.

The *San Joaquin River Conservancy* was created for the purpose of acquiring and managing public lands within the San Joaquin River Parkway.

The *California Urban Waterfront Area Restoration Financing Authority* was created to provide financing for coastal and inland urban waterfront restoration projects.

Component Units – Special Purpose Authorities

Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	California Alternative Energy and Advanced Transportation Financing Authority	California Infrastructure and Economic Development Bank
ASSETS				
Cash and pooled investments	\$ 111,609	\$ 279,990	\$ 79	\$ 478,783
Investments	6,022,968	1,387,517	—	—
Receivables (net)	256,787	82,123	3	—
Due from primary government	—	—	—	2,365
Prepaid items	—	268	—	—
Advances and loans receivable	—	5,859,389	—	—
Deferred charges	15,485	47,237	—	—
Fixed assets	212,550	—	—	—
Other assets	774,964	21,338	—	—
Total Assets	\$ 7,394,363	\$ 7,677,862	\$ 82	\$ 481,148
LIABILITIES				
Accounts payable	\$ —	\$ 10,695	\$ 15	\$ 363
Due to other governments	—	8,983	—	—
Dividends payable	145,386	—	—	—
Benefits payable	5,062,442	—	—	—
Deposits	—	115,443	—	287
Contracts and notes payable	—	—	—	—
Compensated absences payable	27,481	1,293	—	—
Advance collections	106,804	65,105	—	—
Revenue bonds payable	—	6,597,403	—	—
Interest payable	—	143,358	—	—
Other liabilities	778,529	30	—	—
Total Liabilities	6,120,642	6,942,310	15	650
FUND EQUITY				
Contributed capital	—	—	—	—
Retained Earnings				
Reserved for regulatory requirements	—	657,211	—	—
Unreserved	1,273,721	78,341	67	480,498
Total Retained Earnings	1,273,721	735,552	67	480,498
Total Fund Equity	1,273,721	735,552	67	480,498
Total Liabilities and Fund Equity	\$ 7,394,363	\$ 7,677,862	\$ 82	\$ 481,148

Non-Major Component Units

California Pollution Control Financing Authority	California Health Facilities Financing Authority	California Educational Facilities Authority	California School Finance Authority	District Agricultural Associations	San Joaquin River Conservancy	California Urban Waterfront Area Restoration Financing Authority	Total
\$ 57,391	\$ 22,401	\$ 13,512	\$ 329	\$ 46,675	\$ 259	\$ 132	\$ 1,011,160
—	—	42,747	—	16,102	—	—	7,469,334
28	346	14,767	16	2,758	—	4	356,832
1,817	628	403	—	—	—	—	5,213
22	19	91	—	—	—	—	400
—	—	—	—	—	—	—	5,859,389
—	—	1,198	—	—	—	—	63,920
27	13	—	—	312,729	—	—	525,319
—	—	—	—	1,787	—	—	798,089
<u>\$ 59,285</u>	<u>\$ 23,407</u>	<u>\$ 72,718</u>	<u>\$ 345</u>	<u>\$ 380,051</u>	<u>\$ 259</u>	<u>\$ 136</u>	<u>\$ 16,089,656</u>
\$ 163	\$ 264	\$ 1,282	\$ 10	\$ 3,592	\$ 36	\$ —	\$ 16,420
—	—	—	—	—	—	—	8,983
—	—	—	—	—	—	—	145,386
—	—	—	—	—	—	—	5,062,442
—	—	—	—	532	—	—	116,262
—	—	—	—	5,248	—	—	5,248
—	—	40	—	3,204	—	—	32,018
103	—	—	—	840	223	—	173,075
—	—	55,260	—	41,270	—	—	6,693,933
—	—	—	—	960	—	—	144,318
—	—	360	—	4,120	—	—	783,039
<u>266</u>	<u>264</u>	<u>56,942</u>	<u>10</u>	<u>59,766</u>	<u>259</u>	<u>—</u>	<u>13,181,124</u>
—	—	—	—	109	—	—	109
—	—	—	—	—	—	—	657,211
59,019	23,143	15,776	335	320,176	—	136	2,251,212
<u>59,019</u>	<u>23,143</u>	<u>15,776</u>	<u>335</u>	<u>320,176</u>	<u>—</u>	<u>136</u>	<u>2,908,423</u>
<u>59,019</u>	<u>23,143</u>	<u>15,776</u>	<u>335</u>	<u>320,285</u>	<u>—</u>	<u>136</u>	<u>2,908,532</u>
<u>\$ 59,285</u>	<u>\$ 23,407</u>	<u>\$ 72,718</u>	<u>\$ 345</u>	<u>\$ 380,051</u>	<u>\$ 259</u>	<u>\$ 136</u>	<u>\$ 16,089,656</u>

Component Units – Special Purpose Authorities

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings

Year Ended June 30, 2000

(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	California Alternative Energy and Advanced Transportation Financing Authority	California Infrastructure and Economic Development Bank
OPERATING REVENUES				
Services and sales	\$ —	\$ 13,338	\$ —	\$ —
Earned premiums (net)	1,242,319	—	—	—
Investment and interest	—	384,168	—	—
Contributions	—	—	—	—
Rent	—	—	—	—
Other	49,270	11,642	6	4,169
Total Operating Revenues	1,291,589	409,148	6	4,169
OPERATING EXPENSES				
Personal services	75,911	10,805	—	—
Services and charges	21,089	46,335	96	1,174
Depreciation	5,143	214	—	—
Benefit payments	1,486,083	—	—	—
Interest expense	—	369,272	—	—
Amortization of deferred charges	176,815	1,709	—	—
Total Operating Expenses	1,765,041	428,335	96	1,174
Operating Income (Loss)	(473,452)	(19,187)	(90)	2,995
NONOPERATING REVENUES (EXPENSES)				
Grants received	—	69,389	—	—
Grants provided	—	(69,389)	—	—
Investment and interest income (loss)	(177,211)	90,412	—	—
Interest expense and fiscal charges	—	—	—	—
Dividends paid	7,279	—	—	—
Other	—	—	—	—
Total Nonoperating	(169,932)	90,412	—	—
OPERATING TRANSFERS				
Transfers in - primary government	—	—	—	425,000
Total Operating	—	—	—	425,000
Net Income (Loss)	(643,384)	71,225	(90)	427,995
Retained Earnings, July 1, 1999	1,917,105	664,327	157	52,503
Retained Earnings, June 30, 2000	\$ 1,273,721	\$ 735,552	\$ 67	\$ 480,498

* Restated

Non-Major Component Units							
California Pollution Control Financing Authority	California Health Facilities Financing Authority	California Educational Facilities Authority	California School Finance Authority	District Agricultural Associations	San Joaquin River Conservancy	California Urban Waterfront Area Restoration Financing Authority	Total
\$ 4,924	\$ 10,078	\$ 758	\$ —	\$ 96,192	\$ —	\$ —	\$ 125,290
—	—	—	—	—	—	—	1,242,319
—	—	960	—	2,129	—	—	387,257
—	—	—	—	3,194	—	—	3,194
—	—	—	—	25,172	—	—	25,172
—	—	—	43	—	—	7	65,137
<u>4,924</u>	<u>10,078</u>	<u>1,718</u>	<u>43</u>	<u>126,687</u>	<u>—</u>	<u>7</u>	<u>1,848,369</u>
—	—	343	—	33,931	—	—	120,990
7,156	1,193	829	266	78,107	—	—	156,245
—	—	—	—	6,037	—	—	11,394
—	—	—	—	3,986	—	—	1,490,069
—	—	3,215	—	—	—	—	372,487
—	—	—	—	—	—	—	178,524
<u>7,156</u>	<u>1,193</u>	<u>4,387</u>	<u>266</u>	<u>122,061</u>	<u>—</u>	<u>—</u>	<u>2,329,709</u>
<u>(2,232)</u>	<u>8,885</u>	<u>(2,669)</u>	<u>(223)</u>	<u>4,626</u>	<u>—</u>	<u>7</u>	<u>(481,340)</u>
—	—	—	—	—	—	—	69,389
—	—	—	—	—	—	—	(69,389)
—	—	3,338	—	755	—	—	(82,706)
—	—	(26)	—	(2,719)	—	—	(2,745)
—	—	—	—	—	—	—	7,279
—	(2,078)	—	—	9,704	—	—	7,626
<u>—</u>	<u>(2,078)</u>	<u>3,312</u>	<u>—</u>	<u>7,740</u>	<u>—</u>	<u>—</u>	<u>(70,546)</u>
—	—	—	—	—	—	—	425,000
—	—	—	—	—	—	—	425,000
(2,232)	6,807	643	(223)	12,366	—	7	(126,886)
61,251	16,336	15,133 *	558	307,810	—	129	3,035,309
<u>\$ 59,019</u>	<u>\$ 23,143</u>	<u>\$ 15,776</u>	<u>\$ 335</u>	<u>\$ 320,176</u>	<u>\$ —</u>	<u>\$ 136</u>	<u>\$ 2,908,423</u>

Component Units – Special Purpose Authorities

Combining Statement of Cash Flows

Year Ended June 30, 2000

(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	California Alternative Energy and Advanced Transportation Financing Authority	California Infrastructure and Economic Development Bank
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Operating income (loss)	\$ (473,452)	\$ (19,187)	\$ (90)	\$ 2,995
ADJUSTMENTS TO RECONCILE				
OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED				
BY OPERATIONS				
Interest expense on operating debt	—	369,272	—	—
Depreciation	5,143	214	—	—
Accretion of capital appreciation bonds	—	19,665	—	—
Provisions and allowances	12,438	6,265	—	—
Accrual of deferred charges	(173,186)	(7,860)	—	—
Amortization of deferred credits	—	(3,212)	—	—
Amortization of discounts	—	8,009	—	—
Amortization of deferred charges	176,815	—	—	—
Purchase of program loans	—	(1,045,262)	—	—
Collection of principal from program loans	—	334,094	—	—
Other	4,169	—	—	—
Change in assets and liabilities				
Receivables	(8,084)	(9,684)	2	—
Due from primary government	—	—	—	(1,008)
Prepaid items	—	(33)	—	—
Other assets	47,482	1,064	—	—
Accounts payable	—	6,147	11	28
Due to other funds	—	(1,180)	—	—
Due to other governments	—	4	—	—
Benefits payable	156,481	—	—	—
Deposits	—	2,415	—	(140)
Contracts and notes payable	—	—	—	—
Compensated absences payable	1,724	152	—	—
Advance collections	(5,279)	697	—	—
Other liabilities	(101,107)	(425)	—	—
Total Adjustments	116,596	(319,658)	13	(1,120)
Net Cash Provided by (Used In)				
Operating Activities	(356,856)	(338,845)	(77)	1,875

Non-Major Component Units							
California Pollution Control Financing Authority	California Health Facilities Financing Authority	California Educational Facilities Authority	California School Finance Authority	District Agricultural Associations	San Joaquin River Conservancy	California Urban Waterfront Area Restoration Financing Authority	Total
\$ (2,232)	\$ 8,885	\$ (2,669)	\$ (223)	\$ 4,626	\$ —	\$ 7	\$ (481,340)
—	—	—	—	—	—	—	369,272
—	—	—	—	6,037	—	—	11,394
—	—	—	—	—	—	—	19,665
—	—	—	—	—	—	—	18,703
—	—	(141)	—	—	—	—	(181,187)
—	—	—	—	—	—	—	(3,212)
—	—	—	—	—	—	—	8,009
—	—	227	—	20	—	—	177,062
—	—	—	—	—	—	—	(1,045,262)
—	—	—	—	—	—	—	334,094
—	(2,078)	401	—	9,704	—	—	12,196
(25)	(6)	(5,845)	1	(70)	—	(1)	(23,712)
(222)	(188)	(62)	—	—	—	—	(1,480)
—	—	(32)	—	—	—	—	(65)
—	—	—	—	618	—	—	49,164
48	208	61	3	(668)	34	—	5,872
—	—	—	—	—	—	—	(1,180)
—	—	—	—	—	—	—	4
—	—	—	—	—	—	—	156,481
—	—	—	—	32	—	—	2,307
—	—	—	—	1,192	—	—	1,192
—	—	7	—	477	—	—	2,360
103	—	—	—	(80)	(20)	—	(4,579)
—	—	(249)	—	1,460	—	—	(100,321)
(96)	(2,064)	(5,633)	4	18,722	14	(1)	(193,223)
(2,328)	6,821	(8,302)	(219)	23,348	14	6	(674,563)

(Continued)

Component Units – Special Purpose Authorities

Combining Statement of Cash Flows

Year Ended June 30, 2000
(Amounts in thousands)

	State Compensation Insurance Fund	California Housing Finance Agency	California Alternative Energy and Advanced Transportation Financing Authority	California Infrastructure and Economic Development Bank
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Dividends paid	(93,098)	—	—	—
Proceeds from revenue bonds	—	1,570,831	—	—
Retirement of revenue bonds	—	(896,416)	—	—
Interest paid on operating debt	—	(364,436)	—	—
Grants provided	—	(69,389)	—	—
Net Cash Provided by (Used In)				
Noncapital Financing Activities	(93,098)	240,590	—	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of fixed assets	(7,172)	—	—	—
Proceeds from sale of fixed assets	—	—	—	—
Retirement of revenue bonds	—	—	—	—
Interest paid	—	—	—	—
Grants received	—	69,389	—	—
Transfers in - primary government	—	—	—	425,000
Net Cash Provided by (Used In) Capital and Related Financing Activities	(7,172)	69,389	—	425,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,874,877)	(220,511)	—	—
Proceeds from maturity and sale of investments	2,605,902	45,668	—	—
Earnings / (Loss) on investments	421,088	90,412	—	—
Net Cash Provided by (Used In)				
Investing Activities	152,113	(84,431)	—	—
Net Increase (Decrease) in				
Cash and Pooled Investments	(305,013)	(113,297)	(77)	426,875
Cash and Pooled Investments at July 1, 1999	416,622	393,287	156	51,908
Cash and Pooled Investments at June 30, 2000	<u>\$ 111,609</u>	<u>\$ 279,990</u>	<u>\$ 79</u>	<u>\$ 478,783</u>

Non-Major Component Units

California Pollution Control Financing Authority	California Health Facilities Financing Authority	California Educational Facilities Authority	California School Finance Authority	District Agricultural Associations	San Joaquin River Conservancy	California Urban Waterfront Area Restoration Financing Authority	Total
—	—	—	—	—	—	—	(93,098)
—	—	—	—	—	—	—	1,570,831
—	—	—	—	—	—	—	(896,416)
—	—	—	—	—	—	—	(364,436)
—	—	—	—	—	—	—	(69,389)
—	—	—	—	—	—	—	147,492
(21)	—	—	—	(9,031)	—	—	(16,224)
—	4	—	—	—	—	—	4
—	—	—	—	(2,521)	—	—	(2,521)
—	—	—	—	(2,777)	—	—	(2,777)
—	—	—	—	—	—	—	69,389
—	—	—	—	—	—	—	425,000
(21)	4	—	—	(14,329)	—	—	472,871
—	—	—	—	(1,957)	—	—	(3,097,345)
—	—	5,461	—	—	—	—	2,657,031
—	—	3,312	—	755	—	—	515,567
—	—	8,773	—	(1,202)	—	—	75,253
(2,349)	6,825	471	(219)	7,817	14	6	21,053
59,740	15,576	13,041	548	38,858	245	126	990,107
\$ 57,391	\$ 22,401	\$ 13,512	\$ 329	\$ 46,675	\$ 259	\$ 132	\$ 1,011,160

(Concluded)



Statistical Section

General Government Revenues by Source and Expenditures by Function

For the Past Ten Years
(Amounts in thousands)

	1991	1992	1993
REVENUES			
Taxes	\$ 38,041,098	\$ 41,132,063	\$ 43,257,754
Intergovernmental	15,024,782	18,078,536	21,535,501
Licenses and permits	1,726,500	2,609,734	2,714,575
Natural resources	171,628	235,893	85,081
Charges for services	361,562	513,306	340,833
Fees and penalties	1,589,600	1,752,462	2,122,880
Investment and interest	702,199	511,353	368,693
Other	583,214	538,228	668,153
Total Revenues	\$ 58,200,583	\$ 65,371,575	\$ 71,093,470
EXPENDITURES			
Current			
General government	\$ 2,812,140	\$ 2,786,667	\$ 2,681,084
Education	22,350,139	25,560,756	22,613,122
Health and human services	24,589,169	28,074,053	30,248,244
Resources	1,503,840	1,864,548	1,671,655
State and consumer services	586,709	624,889	553,122
Business and transportation	4,502,150	5,331,881	5,985,426
Correctional programs	2,705,465	3,000,849	2,862,733
Property tax relief	930,233	828,212	808,053
Capital outlay	942,404	795,344	804,085
Debt service	1,220,593	1,433,140	1,649,685
Total Expenditures	\$ 62,142,842	\$ 70,300,339	\$ 69,877,209

Source: California State Controller's Office. Includes General Fund, special revenue funds, and capital projects funds.

1994	1995	1996	1997	1998	1999	2000
\$ 42,209,971	\$ 44,940,196	\$ 48,806,164	\$ 52,147,311	\$ 58,019,570	\$ 63,062,732	\$ 75,591,022
25,259,035	22,933,080	24,337,762	26,397,371	26,503,684	29,667,982	31,543,220
2,725,130	2,832,516	2,938,539	3,017,207	3,188,395	3,334,863	3,245,851
44,978	69,888	73,038	93,331	39,704	15,950	91,662
345,550	395,813	388,700	409,788	607,153	812,336	848,352
1,822,228	1,854,297	1,902,266	2,028,760	1,972,623	1,857,098	1,998,676
318,973	538,659	495,887	504,934	600,612	692,738	938,897
753,235	684,419	974,427	346,501	370,195	407,089	1,110,061
\$ 73,479,100	\$ 74,248,868	\$ 79,916,783	\$ 84,945,203	\$ 91,301,936	\$ 99,850,788	\$ 115,367,741

\$ 3,156,167	\$ 3,895,769	\$ 3,186,959	\$ 4,439,586	\$ 4,026,111	\$ 5,256,688	\$ 6,011,645
21,751,525	22,769,356	23,978,493	27,661,080	29,501,259	31,048,022	36,905,181
33,356,725	33,335,716	36,001,362	38,156,169	37,333,877	41,197,842	44,702,748
1,656,441	1,735,842	1,823,369	1,911,656	1,975,661	2,351,796	2,678,453
625,484	692,979	675,912	729,983	747,211	797,127	850,322
5,894,401	5,499,433	5,599,561	5,809,633	5,953,332	6,752,759	7,320,420
3,107,224	3,290,193	3,692,696	3,850,955	4,092,202	4,382,129	4,601,199
464,675	475,610	470,127	630,957	617,320	599,004	2,173,459
944,767	264,591	1,160,361	669,122	1,360,788	939,749	709,698
1,884,352	2,257,153	2,218,273	2,151,042	2,103,476	2,170,146	2,248,224
\$ 72,841,761	\$ 74,216,642	\$ 78,807,113	\$ 86,010,183	\$ 87,711,237	\$ 95,495,262	\$ 108,201,349

Schedule of General Obligation Bonds Outstanding

June 30, 2000

(Amounts in thousands)

GENERAL LONG-TERM OBLIGATIONS

California Earthquake Safety and Housing Rehabilitation	\$ 95,510
California Library Construction and Renovation	52,325
California Park and Recreational Facilities	183,345
California Parklands	54,930
California Safe Drinking Water	220,280
California Wildlife, Coastal, and Park Land Conservation	506,755
Class Size Reduction Public Education Facilities	2,198,165
Clean Air and Transportation Improvement	1,121,990
Clean Water	127,865
Clean Water and Water Conservation	69,200
Clean Water and Water Reclamation	49,810
Community Parklands	55,995
County Correctional Facility Capital Expenditure	282,525
County Correctional Facility Capital Expenditure and Youth Facility	337,745
County Jail Capital Expenditure	188,100
Earthquake Safety and Public Building Rehabilitation	128,555
Fish and Wildlife Habitat Enhancement	37,955
Higher Education Facilities	1,498,660
Housing and Homeless	194,375
Lake Tahoe Acquisitions	40,160
New Prison Construction	1,177,795
Passenger Rail and Clean Air	657,940
Public Education Facilities	2,533,740
Safe, Clean, Reliable Water Supply	197,135
School Building and Earthquake	34,660
School Facilities	3,913,930
Seismic Retrofit	1,045,760
Senior Center	15,000
State Beach, Park, Recreational and Historical Facilities	2,355
State School Building Lease-Purchase	678,340
State, Urban, and Coastal Park	21,325
Water Conservation	35,210
Water Conservation and Water Quality	80,855
Total General Long-Term Obligations	17,838,290

ENTERPRISE FUNDS

California Water Resources Development	944,230
Hazardous Substance Cleanup	39,590
State School Building Aid	1,250
Veterans	2,528,330
Total Enterprise Funds	3,513,400
Total General Obligation Bonds	\$ 21,351,690

Source: California State Treasurer's Office.

Schedule of General Long-Term Bonded Debt to Per Capita Personal Income

For the Past Ten Years

Year Ended	General Long-Term Bonded Debt (In thousands) ⁽¹⁾	Per Capita Debt	Per Capita Personal Income	Percentage of Per Capita Debt to Per Capita Personal Income
1990	\$ 5,168,355	\$ 172.60	\$ 21,893	0.8 %
1991	7,735,955	253.10	21,915	1.2
1992	11,311,245	362.68	22,495	1.6
1993	13,262,192	420.79	22,658	1.9
1994	14,301,119	449.86	23,124	1.9
1995	14,843,814	462.96	24,061	1.9
1996	14,224,172	439.25	25,087	1.8
1997	14,208,431	431.12	26,178	1.6
1998	14,894,090	444.68	27,481	1.6
1999	16,167,030	475.00	29,078	1.6

Source: (1) California State Controller's Office. Data for the year ended June 30.

Schedule of Annual Debt Service Expenditures for General Bonded Debt

Governmental Fund Types

For the Past Ten Years
(Amounts in thousands)

Year	Principal	Interest	Total Debt Service	Total General Expenditures	Percentage of Debt Service to Total General Expenditures
1991	\$ 388,400	\$ 832,193	\$ 1,220,593	\$ 62,142,842	2.0 %
1992	522,710	910,430	1,433,140	70,300,339	2.0
1993	666,950	982,735	1,649,685	69,877,209	2.4
1994	874,404	1,009,948	1,884,352	72,841,761	2.6
1995	954,400	1,302,753	2,257,153	74,216,642	3.0
1996	1,040,570	1,177,703	2,218,273	78,807,113	2.8
1997	1,059,156	1,091,886	2,151,042	86,010,183	2.5
1998	1,002,111	1,101,365	2,103,476	87,711,237	2.4
1999	1,046,550	1,123,596	2,170,146	95,495,262	2.3
2000	1,122,194	1,126,030	2,248,224	108,201,349	2.1

Source: California State Controller's Office. Includes General Fund, special revenue funds, and capital projects funds.

Schedule of Revenue Bonds Coverage

For the Past Seven Years
(Amounts in thousands)

				Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
					Principal	Interest	Total	
	June 30	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾					
Housing Loan	1994	\$ 307,635	\$ 50,614	\$ 257,021	\$ 254,440	\$ 49,528	\$ 303,968	0.85
	1995	301,712	74,661	227,051	167,370	32,961	200,331	1.13
	1996	303,421	51,529	251,892	65,463	29,778	95,241	2.64
	1997	245,284	23,804	221,480	47,395	25,307	72,792	3.04
	1998	259,260	30,662	228,598	52,525	19,688	72,213	3.17
	1999	224,359	30,381	193,978	111,095	26,231	137,326	1.41
	2000	242,830	34,267	208,563	15,600	32,257	47,857	4.36
Water Resources	1994	508,662	250,028	258,634	58,638	103,629	162,267	1.59
	1995	545,654	251,303	294,351	94,234	102,113	196,347	1.50
	1996	503,663	270,082	233,581	199,221	108,499	307,720	0.76
	1997	582,801	260,993	321,808	180,774	120,653	301,427	1.07
	1998	566,110	330,989	235,124	283,705	133,884	417,589	0.56
	1999	628,142	332,750	295,392	152,713	135,674	288,387	1.02
	2000	697,196	369,743	327,453	42,030	125,990	168,020	1.95
Leasing of Public Assets	1994	239,023	621	238,402	571,785	173,512	745,297	0.32
	1995	234,864	15,105	219,759	115,769	215,487	331,256	0.66
	1996	330,536	22,772	307,764	203,309	258,643	461,952	0.67
	1997	373,823	42,489	331,334	1,030,211	291,249	1,321,460	0.25
	1998	386,923	89,099	297,824	719,931	314,804	1,034,735	0.29
	1999	401,318	52,697	348,621	236,801	321,458	558,259	0.62
	2000	413,746	77,550	336,196	267,083	314,224	581,307	0.58

Source: California State Controller's Office. Data not available prior to 1994.

- (1) Total gross revenues include non-operating interest revenue. Building authorities revenues also include operating transfers in.
- (2) Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of deferred charges. Building authorities expenditures also exclude capital outlay and debt service.
- (3) Includes principal and interest of revenue bonds.
- (4) All toll facilities revenue bonds have been redeemed.

	June 30	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue	Debt Service Requirements ⁽³⁾			
				Available for Debt Service	Principal	Interest	Total	Coverage
Toll Facilities ⁽⁴⁾	1994	158,521	43,714	114,807	72,445	4,364	76,809	1.49
	1995	167,729	37,991	129,738	5,745	2,724	8,469	15.32
	1996	176,586	36,992	139,594	6,170	2,412	8,582	16.27
	1997	178,811	42,961	135,850	6,445	2,172	8,617	15.77
	1998	188,103	31,805	156,298	50,405	1,053	51,458	3.04
	1999	—	—	—	—	—	—	—
	2000	—	—	—	—	—	—	—
California State University	1994	230,063	156,907	73,156	34,534	20,540	55,074	1.33
	1995	250,967	179,680	71,287	11,008	18,915	29,923	2.38
	1996	258,638	178,394	80,244	22,495	20,259	42,754	1.88
	1997	282,443	190,212	92,231	29,852	28,049	57,901	1.59
	1998	309,108	223,164	85,944	30,585	30,774	61,359	1.40
	1999	305,732	237,587	68,145	9,380	30,328	39,708	1.72
	2000	244,555	211,296	33,259	24,224	32,215	56,439	0.59
Building Authorities	1994	16,403	327	16,076	4,605	12,959	17,564	0.92
	1995	25,041	143	24,898	7,895	14,754	22,649	1.10
	1996	21,409	1,598	19,811	2,295	11,345	13,640	1.45
	1997	26,581	275	26,306	10,425	12,289	22,714	1.16
	1998	28,876	15	28,861	12,066	12,832	24,898	1.16
	1999	65,508	96	65,412	12,895	29,699	42,594	1.54
	2000	162,378	23	162,355	25,185	43,514	68,699	2.36

Schedule of National and State Population

For the Past Fifteen Years

Year	United States Population (1)	Average Annual Percentage Increase	California Population (2)	Average Annual Percentage Increase	California as a Percentage of United States Population
1985	237,924,000		26,403,000		11.1 %
1986	240,133,000	0.9 %	27,052,000	2.5 %	11.3
1987	242,289,000	0.9	27,717,000	2.5	11.4
1988	244,499,000	0.9	28,393,000	2.4	11.6
1989	246,819,000	0.9	29,142,000	2.6	11.8
1990	249,439,000	1.1	29,944,000	2.8	12.0
1991	252,127,000	1.1	30,565,000	2.1	12.1
1992	254,995,000	1.1	31,188,000	2.0	12.2
1993	257,746,000	1.1	31,517,000	1.1	12.2
1994	260,289,000	1.0	31,790,000	0.9	12.2
1995	262,765,000	1.0	32,063,000	0.9	12.2
1996	265,190,000	0.9	32,383,000	1.0	12.2
1997	267,744,000	1.0	32,957,000	1.8	12.3
1998	270,299,000	1.0	33,494,000	1.6	12.4
1999	272,878,000	1.0	34,036,000	1.6	12.5

Sources: (1) Bureau of the Census, United States Department of Commerce.
 (2) Demographic Research Unit, California Department of Finance.

Schedule of National and State Personal Income

For the Past Fifteen Years

Year	United States		California		California as a Percentage of United States Personal Income
	Personal Income ⁽¹⁾ (In millions)	Percentage Change	Personal Income ⁽¹⁾ (In millions)	Percentage Change	
1985	\$ 3,498,700		\$ 447,103		12.8 %
1986	3,697,400	5.7 %	477,762	6.9 %	12.9
1987	3,945,500	6.7	517,348	8.3	13.1
1988	4,255,000	7.8	561,121	8.5	13.2
1989	4,582,400	7.7	606,701	8.1	13.2
1990	4,885,500	6.6	655,567	8.1	13.4
1991	5,065,400	3.7	669,842	2.2	13.2
1992	5,376,600	6.1	701,572	4.7	13.0
1993	5,598,400	4.1	714,107	1.8	12.8
1994	5,878,400	5.0	735,104	2.9	12.5
1995	6,192,200	5.3	771,470	4.9	12.5
1996	6,538,100	5.6	812,404	5.3	12.4
1997	6,942,100	6.2	862,756	6.2	12.4
1998	7,351,500	5.9	920,452	6.7	12.5
1999 ⁽²⁾	7,776,500	5.8	989,707	7.5	12.7

Sources: (1) Bureau of Economic Analysis, United States Department of Commerce.

(2) Estimated by the California Department of Finance.

Schedule of National and State Per Capita Personal Income

For the Past Fifteen Years

Year	United States		California		California as a Percentage of United States Per Capita Personal Income
	Per Capita Personal Income ⁽¹⁾	Percentage Change	Per Capita Personal Income ⁽¹⁾	Percentage Change	
1985	\$ 14,705		\$ 16,934		115.2 %
1986	15,397	4.7 %	17,661	4.3 %	114.7
1987	16,284	5.8	18,665	5.7	114.6
1988	17,403	6.9	19,763	5.9	113.6
1989	18,566	6.7	20,819	5.3	112.1
1990	19,586	5.5	21,893	5.2	111.8
1991	20,091	2.6	21,915	0.1	109.1
1992	21,085	4.9	22,495	2.6	106.7
1993	21,721	3.0	22,658	0.7	104.3
1994	22,584	4.0	23,124	2.1	102.4
1995	23,566	4.3	24,061	4.1	102.1
1996	24,654	4.6	25,087	4.3	101.8
1997	25,928	5.2	26,178	4.3	101.0
1998	27,198	4.9	27,481	5.0	101.0
1999 ⁽²⁾	28,498	4.8	29,078	5.8	102.0

Sources: (1) Demographic Research Unit, California Department of Finance and Bureau of Economic Analysis, United States Department of Commerce.

(2) Estimated by the California Department of Finance.

Civilian Labor Force for Resident Population Age 16 and Over

For the Past Fifteen Years

Year	Labor Force Trends (In thousands)			Unemployment Rate	
	Total Labor Force	Employed	Unemployed	United States	California
1985	12,981	12,048	933	7.2 %	7.2 %
1986	13,332	12,442	890	7.0	6.7
1987	13,738	12,947	791	6.2	5.8
1988	14,132	13,384	748	5.5	5.3
1989	14,517	13,780	737	5.3	5.1
1990	15,193	14,319	874	5.6	5.8
1991	15,176	14,004	1,172	6.8	7.7
1992	15,404	13,973	1,431	7.5	9.3
1993	15,359	13,918	1,441	6.9	9.4
1994	15,450	14,122	1,328	6.1	8.6
1995	15,412	14,203	1,209	5.6	7.8
1996	15,511	14,391	1,120	5.4	7.2
1997	15,948	14,943	1,005	4.9	6.3
1998	16,324	15,356	968	4.5	5.9
1999	16,586	15,722	864	4.2	5.2

Source: Labor Market Information Division, California Employment Development Department.

Persons Employed in Principal Manufacturing Industries

For Calendar Years 1989 and 1999

(Amounts in thousands)

Industry	1989	1999	Change
Electronic equipment	266.5	260.3	(2.3) %
Industrial machinery	222.8	225.9	1.4
Food and kindred products	179.5	183.3	2.1
Instruments and related products	238.0	174.6	(26.6)
Transportation equipment	300.6	161.6	(46.2)
Printing and publishing	162.2	149.9	(7.6)
Apparel and other textile products	130.9	144.1	10.1
Fabricated metal products	138.5	127.2	(8.2)
Chemicals and allied products	73.0	79.1	8.4
Rubber and miscellaneous plastic products	76.9	72.3	(6.0)
Lumber and wood products	71.0	61.2	(13.8)
Furniture and fixtures	60.1	60.6	0.8
Stone, clay, and glass	56.3	48.7	(13.5)
Miscellaneous manufacturing	36.9	48.4	31.2
Paper and allied products	41.6	39.4	(5.3)
Primary metals	43.2	34.3	(20.6)
Textile mill products	16.9	26.8	58.6
Petroleum and coal products	26.1	18.4	(34.5)
Leather and leather products	6.2	6.6	6.5
Total	2,149.2	1,922.7	(10.5)

Sources: California Employment Development Department and California Department of Finance.

STATE CONTROLLER

Office of the State Controller

Kathleen Connell
State Controller

Executive Office

Walter Barnes
Chief Deputy Controller,
Finance

Division of Accounting and Reporting

William G. Ashby, CPA
Division Chief

State Government Reporting Section (GAAP and Cash)

Alan L. Setser
Section Manager

Staff:

Joseph Chang
Mike Evans
Jeannette Dixon-Gourdine
Jenny Kwong
Scott Larson
Gary Marshall
Gisel Ridge
Sonia Wynne
Joann Zhou

State Government Reporting Section (Budgetary)

William Steffenhagen
Section Manager

Staff:

Anjana Bhargara
Godwin Ekine
DeAna Flemmer
Kay Fong
R. Craig Goodman
Harley Hansen
Judy Lee
Gloria Lopez
Gina Kwong-McGee
Sheri Noss
Betty Owen
Dorothy Raines
Bob Scott
Armando Valdivia
Carleen Wessler

Systems Management Section

Staff:

Harold Case
Jane Jackson
Rod Renteria



NRMSIR Inventory Control Form

ANNUAL FINANCIAL
STATEMENT

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CDR

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CAFR

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BUDGET

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INTERIM

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STATUTORY

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DOCUMENT CORRECTION

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